

Council Meeting Agenda



Wednesday, 21 February 2024 at 7pm

**Council Chamber, Civic Centre
Chelmsford**

Membership

The Mayor – Councillor Linda Mascot
The Deputy Mayor – Councillor Jude Deakin

and Councillors

C Adutwim, J Armstrong, N Bugbee, V Canning
N B Chambers, D J R Clark, H Clark, P H Clark, P Davey
A E Davidson, C K Davidson, S Davis, S Dobson, N A Dudley, D
Eley, K Franks, L Foster,
J A Frasca, I D Fuller, M C Goldman, S M Goldman, I S Grundy,
S Hall, J Hawkins, R J Hyland, J Jeapes, A M John, G B R Knight, J
S Lardge, R J Lee, B Massey, R J Moore, M O'Brien, V Pappa, G H
J Pooley, J A Potter, S Rajesh, J M C Raven, S J Robinson, E J
Sampson, S J Scott, T Sherlock, M Sismey, A B Sosin, J E Sosin, M
S Steel, S Sullivan, M Taylor, A Thompson, A G Thorpe-Apps, C R
Tron, N M Walsh, R T Whitehead, P Wilson, and S Young

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

If you would like to find out more, please telephone Dan Sharma-Bird in the
Democracy Team on Chelmsford (01245) 605923, email dan.sharma-bird@chelmsford.gov.uk, call in at the Civic Centre, or write to the address above.

MEETING OF CHELMSFORD CITY COUNCIL

21 February 2024

AGENDA

1. Apologies for Absence

2. Mayor's Announcements

3. Declarations of Interest

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

4. Minutes

Minutes of meeting on 6 December 2023.

5. Public Questions

To receive questions from members of the public in accordance with Council Rules 10.1 to 10.6 on Item 6 on the agenda.

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

6. Cabinet Question Time

The Leader and Members of the Cabinet to answer questions submitted by Members of the Council in accordance with Council Rules 10.18 to 10.22.

7. Reports from the Cabinet on 30 January 2024

7.1 Local Council Tax Support Scheme 2024/25

To consider the attached report from the Cabinet Member for Connected Chelmsford

7.2 Amendment to Council Tax Premiums in respect of empty properties

To consider the attached report from the Cabinet Member for Connected Chelmsford

7.3 Capital, Treasury and Investment Strategies for 2024/25

To consider the attached report from the Leader of the Council

8. Budget for 2024/25

To consider the attached report from the Leader of the Council

9. Pay Policy Statement 2024/25

To consider the attached report from the Cabinet Member for Connected Chelmsford

After this meeting has closed, members are requested to stay behind
to consider the nomination of Mayor for 2024/25

CHELMSFORD CITY COUNCIL
MINUTES OF THE MEETING OF THE COUNCIL
held on 6 December 2023 at 7pm

PRESENT:

The Mayor, L A. Mascot
The Deputy Mayor J A. Deakin

Councillors C Adutwim, J Armstrong, V Canning, D Clark, H Clark, P Clark, P Davey, A E Davidson, C K Davidson, S Davis, S Dobson, N A Dudley, D Eley, K Franks, L Foster, J A Frascona, I D Fuller, M C Goldman, S M Goldman, S Hall, J Hawkins, R J Hyland, J Jeapes, A John, B Knight, J Lardge, R J Lee, L Mascot, B. Massey R J Moore, M O'Brien, V Pappa, G H J Pooley, J A Potter, S Rajesh, J M C Raven, S J Robinson, E Sampson, T Sherlock, M Sismey, A B Sosin, J E Sosin, M S Steel, S Sullivan, A Thompson, A G Thorpe-Apps, N M Walsh, R T Whitehead, and S Young

1. Apologies for Absence

Apologies for absence had been received from Councillors Bugbee, Chambers, Grundy, Scott, Tron, and Wilson.

2. Mayor's Announcements

The Mayor provided an update on their engagements heading into the busy festive period, expecting to have attended a total 255 engagements by the end of the calendar year.

The Mayor reflected on the recent Remembrance Sunday service, emphasising their pride in the opportunity to introduce the Mayors Cadet, Sgt Walledge, at the event.

The Mayor also thanked the members of the council for their contributions to their collection for the foodbank.

3. Declarations of Interest

Members were reminded to declare at the appropriate time any personal and prejudicial interests in the business on the meeting's agenda.

4. Minutes

The minutes of the meetings held on 25 July 2023 were confirmed as a correct record.

5. Public Questions

No public questions had been submitted in advance of the meeting.

6. Cabinet Question Time

The following questions from Councillors were put to members of the Cabinet:

1. Question from Councillor B Massey to the Cabinet Member for a Greener and Safer Chelmsford

We welcome the continued commitment to tree planting by the City Council at Compass Gardens, and hope the new planting is more successful than the 2020 planting by volunteers at Creekview Green.

Unfortunately, the City Council chose not to advise local ward members that the planting was planned, meaning we were unable to respond to residents' questions and concerns.

Would the Cabinet Member for Greener Chelmsford please consider notifying Ward members when future planting is being planned?

In response, the Cabinet Member for Greener and Safer Chelmsford expressed their gratitude for the Council wide support for this commitment as tree-planting plays a vital role in our Climate & Ecological Emergency Action Plan, as well as flood alleviation. They advised that the recent planting had been advertised on local notice boards and through the Town Council but acknowledged that no invitation had been sent directly to the ward councillor and agreed that this will be done for any future sessions across the city.

2. Question from Councillor S Sullivan to the Cabinet Member for a Fairer Chelmsford

The winter weather has arrived, with a record November cold snap and forecasts of more to come. This is especially challenging for the rough sleepers on the streets in Chelmsford. The recent Conservative central government announcement says it has allocated £148.4 million to 46 local authorities, housing providers, and charities as part of the Single Homelessness Accommodation Programme to build or buy 1,230 homes, supporting the most vulnerable in our society and helping them off the streets for good. Has Chelmsford council applied for this funding?

In response, the Cabinet Member for Fairer Chelmsford stated that maintaining that no one needs to sleep rough in Chelmsford is a priority for the Council. Chelmsford City Council was one of only two local housing authorities in Essex eligible to apply for this funding and a successful bid for a project providing 15 units was submitted, alongside CHESS. As schemes funded under this project must be completed before March 2025, no other projects would be considered suitable at this time, but once other sites can be identified the Council is hopeful that alternative funding will be secured.

(7.07pm to 7.18pm)

7. Reports from the Cabinet

7.1 Proposed Amendments to the Constitution

The Council received a report asking them to consider the recommendations of the Constitutional Working Group and Governance Committee outlining amendments to the Constitution relating to delegations to the Legal and Democratic Services Manager and voting procedures at meetings.

RESOLVED that the recommendations outlined in Appendix 1 of the report be agreed.

(7.18pm to 7.20pm)

7.2 Treasury Management Mid-Year Review

The Council received a report outlining the treasury activities undertaken in the first part of the 2023/2024 financial year and to report on compliance with the approved treasury management strategy.

RESOLVED that the contents of the report be noted with no changes required to the ongoing treasury management strategy.

(7.20pm to 7.21pm)

8. Reports from the Leader of the Council

8.1 Review of Scheme of Members Allowances

The outcome of the review of the existing members allowance scheme was presented to the Council. The review was conducted by an Independent Remuneration Panel during the statutory period. Members of the Council were invited to engage in a consultation that advised the panel, with around two thirds of them having done so.

It was summarised that the main differentiation from the outcome of the review conducted in 2019 was the introduction of allowances for the newly appointed Independent Persons for Audit and Risk Committee.

In response to a question, it was advised that the determination of the allowances was calculated by the Independent Remuneration Panel, using the special responsibility allowance of the Leader of the Council as the foundation of these calculations.

RESOLVED that the scheme of allowances, as recommended by the panel, be agreed.

(7.21pm to 7.25pm)

8.2 Committee Memberships

The Council received a report detailing a proposed change to the membership of Overview and Scrutiny Committee, with Cllr Wilson joining the Committee in the place of Cllr Taylor.

RESOLVED that the change to the membership of this Committee be agreed.

(7.25pm to 7.26pm)

8.3 Our Chelmsford Our Plan

The Council received a report outlining the renewed priorities of 'Our Chelmsford Our Plan', expanding on the ambitions set out in 2020 when the plan was adopted. The plan has been reviewed by the Overview and Scrutiny Committee, as well as the Cabinet and sets out how the Council intends to facilitate a greener, fairer and better connected City.

The renewed framework breaks down 9 strategic priorities, including tackling the housing crisis by building affordable homes and creating communities as well as reducing the carbon footprint of both the Council and the wider district.

In response to questions raised, the importance of biodiversity was discussed, alongside the balance of accessibility and safety in the community. The Council wishes to work alongside residents to ensure that this balance is appropriate and encourages those with feedback on individual sites to contact officers to discuss this.

During discussions, the Councils commitment to good financial management during challenging times was reaffirmed and support was offered to the ongoing cultural strategy and endorsing inclusivity and building resilient communities.

RESOLVED that the strategic direction and the key priorities set out in 'Our Chelmsford Our Plan' be approved.

(7.26pm to 7.41pm)

9. Notice of Motion

A notice of motion was presented to the Council by Cllr Dan Clark regarding the packaging and promotion of disposable vapes, using bright colours and a wide variety of flavours to catch the attention of shoppers. The impact that this has on young people, the environment and the wider community in Chelmsford was considered a concern that the Council must recognise and mitigate.

Whilst it was acknowledged that vaping has been used as an effective tool in quitting smoking by many, the health, social and financial implications of vaping amongst

young people were discussed, acknowledging that the long-term health effects of this are still unknown.

Cllr Ann Davidson seconded the motion and shared her experience of speaking with local teachers and learning the impact that this issue is having on schools.

The environmental and operational consequences of disposable vapes, both nationally and locally were stressed. It was reported that volunteers completing litter picks frequently find them on streets and in parks across the district. Disposal of the hazardous materials within the devices falls to the responsibility of the Council, raising safety concerns for refuse staff as well as being at great expense to the Council.

During discussion on the matter, attention was drawn to the consultation currently being undertaken by the government regarding restrictions on vaping flavours and packaging. The opportunity to ban the sale of disposable vapes in any council owned properties, including shopping centres was considered and commitment to reviewing the trading policies was made.

It was also noted that although regulation and legislation of such vapes may not be in the remit of the Council, it is important for the Council to use its platform to raise concerns and push for positive change.

RESOLVED that the motion be carried, and the Council calls for:
calls for;

- a. Vaping products to be in plain packaging and kept out of sight behind the counter.
- b. Mandatory age-of-sale signage on vaping products (this is currently voluntary)
- c. A ban on free samples of vaping products being given out to people of any age, or if they contain nicotine.
- d. A ban on the sale of single-use vaping products in the UK
- e. The Council will commit to not allowing sale of vaping products in any Chelmsford City Council run premises.

And that Council instructs the Chief Executive to write to both Victoria Atkins and Steve Barclay MP's, Secretary of State for Health and Social Care and Secretary of State for Environment respectively, to express the Council's demand for the greater regulation of vaping products detailed in this motion and ban on the sale of single-use vapes.

(7.41pm to 7.59pm)

Exclusion of the Public

RESOLVED that the public be excluded from the meeting during the consideration of Item 10 on the agenda as it contained exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

10. Chelmer Waterside Developer Selection

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.

The Council received a report outlining the recommendations made by the Chelmer Waterside Panel regarding preferred development partners for the project. The proposals by each party were summarised within the report and it was highlighted that the recommended partner was compliant with the Councils Development Framework and provided the best return for the Council.

It was emphasised that at this stage in the process the only commitment being endorsed was that to the development partner, not to a specific delivery mechanism for the scheme. The options for delivery are to be discussed in greater detail and will be presented to the Council at a later date for approval. A variety of structures for the scheme are still being considered at this time.

The recommendation of the report was verbally amended by the Cabinet Member for Fairer Chelmsford to the following to clarify this:

“That Council endorse the recommendation of the Chelmer Waterside Panel to select the preferred development partner, allowing officers to **discuss options** before returning to Full Council for a final decision.”

As a result of the amendment to the recommendation, two amendments submitted by the Conservative group were satisfied and withdrawn.

During discussion on the report, the importance of the Council maintaining input on the future of the site was stressed, allowing the opportunity to ensure that community, green spaces and healthy living are prioritised within the plans.

It was also noted that to ensure that the requirements of the grant awarded by Homes England are satisfied, the project must progress appropriately and that the Council is updating Homes England as matters progress.

RESOLVED that Council endorses the recommendations of the Chelmer Waterside Panel to select the preferred development partner, allowing officers to discuss options before returning to Full Council for a final decision.

(7.59pm to 8.19pm)

The meeting closed at 8.20pm

Mayor



Chelmsford City Council

21 February 2024

Reports from the Cabinet

Report by: Leader of the Council and Cabinet Member for Connected Chelmsford

Officer contact:

Dan Sharma-Bird, 01245 606523, dan.sharma-bird@chelmsford.gov.uk

Purpose

To inform Council of the decisions of the Cabinet on 30 January 2024.

Recommendations:

That the recommendations of the Cabinet on Agenda Items 7.1, 7.2 & 7.4 be approved.

1. Local Council Tax Scheme 2024-25

The Cabinet recommended that the Local Council Tax Support Scheme for 2023-24 be retained as the Scheme for 2024/25.

2. Amendment to Council Tax premiums in respect of empty properties

The Cabinet recommended that;

1. That the imposition of a Council Tax premium of 100% after a property has been empty and unfurnished for 12 months is effective from 1 April 2024.

2. That the imposition of a Council Tax Premium of 100% in respect of unoccupied dwellings, which are substantially furnished and nobody's main residence (second homes), is effective from 1 April 2025.

3. Capital, Treasury Management and Investment Strategies 2024/25

The Cabinet recommended that the Capital, Treasury and Investment Strategies 2024-25 as submitted to the meeting be approved.

Background papers:

None

Appendices:

None

Corporate Implications

As set out in the original reports to the Cabinet



Chelmsford City Council

21 February 2024

LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME 2024/25

Report by:

Cabinet Member for Connected Chelmsford

Officer Contact:

Rob Hawes, Revenue and Benefit Services Manager, 01245 606695,
robert.hawes@chelmsford.gov.uk

Purpose

To present for consideration a Local Council Tax Support (LCTS) scheme for 2024/25 to put forward for Full Council approval before 11 March 2024.

Recommendation

That the existing LCTS scheme for 2023/24 is adopted, without alteration, as the LCTS scheme for 2024/25.

1. Background

- 1.1. Since 2013/14, every billing authority has been required to approve a Local Council Tax Support (LCTS) Scheme, prior to 11 March, in respect of the forthcoming financial year. The LCTS scheme assists people on a low income with their Council Tax liability by reducing the amount they have to pay. Entitlement to Council Tax Support (CTS) is 'means-tested', whereby entitlement reduces as household income increases. The Council must incorporate Government rules in respect of pensioners, but it has significant freedom to decide the rules in respect of 'working age' households.
- 1.2. In 2013/14, the Council decided to reduce the maximum level of CTS which could be awarded to an amount equivalent to 80% of a household's Council Tax liability. This meant that all working age households paid a minimum of 20% of their Council Tax liability. This decision was taken to ensure that scheme expenditure did not exceed the funding provided. Following a reduction in Government grant for 2014/15, the minimum payment was raised to 23% and has remained at that level ever since. Subsequent reductions in Government grants have meant that the scheme expenditure now exceeds any grant received and Chelmsford's council tax payers are now contributing to the cost of the scheme. The amount of that contribution cannot be calculated exactly as the direct link between Central Government grant for LCTS was broken in 2014/15 when the specific LCTS grant was incorporated into the overall Settlement Funding Assessment.

2. Current 2023/24 LCTS scheme summary

Key principles

- 2.1. The key principles of the existing LCTS scheme are as follows:
 - All working age recipients pay a minimum of 23% of their Council Tax liability. Pensioners can receive a maximum of 100% of their Council Tax liability
 - Council Tax liability, for the purpose of calculating entitlement, is restricted to the appropriate Band D level. For example, a working age person in a Band H property will have their LCTS calculated using the Band D amount applicable to the parish area in which they live. A pensioner household receives LCTS based on their actual liability regardless of Band.
 - LCTS is not available to working age households with more than £6,000 in savings. Pensioners can have up to £16,000 in savings before entitlement is removed.
 - Households with other non-dependant adults in them receive reduced amounts of LCTS as the non-dependants are expected to contribute

towards the running costs of the household. These contributions depend on the income of the non-dependant. Non-dependant deductions also apply to pensioner households, for whom the level is set by the Government.

- £10 per week of child maintenance received is disregarded. Any child maintenance paid to a pensioner household is disregarded in full.
- There are additional disregards to earned income to encourage work. This provision is more generous for the working age than for pensioners.
- For self-employed recipients, national minimum wage levels are assumed as income for the purposes of calculating LCTS entitlement if the declared income from self-employment is lower than the minimum wage. This applies after the first year of self-employment.

2.2. The amount of any reduction in council tax for people on low incomes is means-tested. This means that a household's income is compared against a set of allowances. These allowances vary depending on the personal circumstances of the household ie number of children, any disabilities etc. Working age households with an income equal to, or below, the relevant allowances receive maximum allowable LCTS ie 77% of Council Tax liability (capped at Band D rates, as described above). Households with an income above the relevant allowances have support withdrawn at the rate of 20p for every pound by which income exceeds allowances. The rules for pensioner households are set by the Government. Local councils have the power to decide how much help is given to working age households.

2.3. The Council is required to agree and approve a working age LCTS scheme for 2024/25. It is recommended that the 2023/24 scheme is retained in its current form without amendment. There may be amendments required for pensioner and/or working age households after any Council decision, as a result of changes to the Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012. The 2024/25 LCTS scheme will be amended as required by law once any relevant Statutory Instrument is published. There is no requirement for Cabinet or Full Council to approve statutory changes.

3. Scheme Finances

3.1. The Government includes an amount in respect of LCTS scheme expenditure in the annual settlement for Chelmsford City Council, Essex County Council and the Police and Fire authorities. It is the billing authority, Chelmsford City Council, which is responsible for assessing the amount of LCTS payable and reconciling this through the Council Tax collection fund.

3.2. Since the amount of grant in respect of LCTS is no longer separately identified it is not possible to accurately estimate the amount by which LCTS scheme expenditure exceeds the available grant. What is clear is that overall annual

amount of Government grant to the precepting bodies (Essex County Council, Chelmsford City Council and Essex Police, Crime and Fire Commissioner) is £170m less in 2023/24 than in 2013/14, while scheme expenditure remained relatively constant at around £6.5m per annum until 2019/20. It is reasonable to assume that the gap between CTS grant amounts and scheme expenditure has risen each year.

3.3. The Covid-19 pandemic and reduction in economic activity caused an increase in caseload numbers in 2020/21 and scheme expenditure rose to £6.88m in 2022/23. Although total Government grants to Essex precepting bodies increased by 2.57% overall in 2023/24, CTS scheme expenditure in 2023/24 has risen by 5.24% and stands at £7.455m in November 2023. This means that the shortfall between CTS grant and expenditure has increased once more. Given the very difficult budget position that the Council finds itself in for 2024/25, it is not advisable to increase the expenditure on the LCTS scheme by making its provisions more generous in 2024/25. It should also be borne in mind that increasing LCTS scheme expenditure will have a detrimental financial effect on the other preceptors, which are facing their own budget challenges. Conversely, as there are cost of living pressures on households in the wider economy and Council Tax levels are likely to rise, it would place additional pressure on low income residents if the Council attempted to reduce LCTS expenditure by making the LCTS scheme less generous.

3.4. As at the end of November 2023, the amount of LCTS paid to working age households totals £4.047m, with a further £3.408m paid to pensioner households. £1.476m of the working age total is being paid to households receiving minimum levels of income. As the only cost-effective method of recovery available in such cases is a £3.75 per week deduction from benefits, there is a strong likelihood that any attempt to reduce scheme expenditure by reducing the amount of LCTS that is paid would be matched by a comparable fall in collection rates. It is worth noting that, despite the increase in Council Tax rates in 2023/24, LCTS expenditure in respect of the poorest households has fallen slightly compared to 2022/23. LCTS expenditure in respect of households not receiving maximum LCTS has risen by 20% to £2.57m. In addition, all households will be affected by the high rates of inflation being seen in such basic necessities as food and energy costs, which will further increase the difficulty of council tax collection in 2024/25.

4. Equality Issues

4.1 When deciding upon a scheme, the Council is required to have due regard to its Public Sector Equality Duties. The Public Sector Equality Duties (PSED) are found in s149 of the Equality Act 2010, which requires public authorities to give due regard to the need to:

- i. Eliminate unlawful discrimination and harassment in the respective fields of race, sex and disability;
- ii. Promote equality of opportunity between those with a protected characteristic and others; in addition, the Race and Disabilities Duties include the need to promote good race relations;
- iii. Take steps to take account of disabled people's disabilities even where that involves treating disabled people more favourably than others; and,
- iv. Promote positive attitudes towards disabled people and to encourage participation by them in public life.

4.2 An Equality Impact Assessment (EIA) for 2023/24's LCTS scheme is attached for reference at Appendix 1. This will need to be revisited if changes to the scheme are proposed in future years. The EIA identifies impacts upon relevant groups and any mitigations which are in place. It is important that decisions relating to our LCTS scheme are taken with these matters in mind. Although the PSED does not prevent councils from taking decisions which impact adversely on groups with 'protected characteristics', they must ensure that they are not impacted in a worse fashion than non-protected groups.

5. Conclusion

5.1 The LCTS scheme is an important support for low income households. Given the current economic climate and the ongoing uncertain economic outlook for 2024/25, it is not considered desirable to reduce the level of support provided by the LCTS scheme and nor do the Council's finances permit any expansion to scheme expenditure by making it more generous. It is recommended that the current 2023/24 LCTS scheme is adopted unchanged for 2024/25.

List of appendices:

Appendix 1 – Equality Impact Assessment

Background papers:

None

Corporate Implications

Legal/Constitutional: A local scheme must be agreed by Full Council before 11 March 2024. If Cabinet is minded to propose changes to the existing scheme, a public consultation lasting a minimum of six weeks must take place on any proposed change. This paper cannot be deferred to a later meeting as a delay would mean that there would be insufficient time to obtain a ratifying decision at Full Council.

Financial: The exact relationship between reducing LCTS expenditure and Council Tax collection rates is unclear, although in-year collection rates of Council Tax have

dropped by 2% since LCTS was introduced in April 2013. 2% equates to a shortfall of £2.87m on an estimated Council Tax debit of £143m in 2023/24, although strong performance on arrears collection in subsequent years has largely offset this reduction. 2023/24 collection performance is expected to be lower, with collection rates currently 0.45% lower than in 2022/23.

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: No change. Equality impact Assessment attached as Appendix 1

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

Health and Safety: None

Digital: The existing Benefits software is capable of maintaining the current scheme. Any radical proposed changes will need to be evaluated as to whether the software can deliver them.

Other:

Consultees:

Director of Connected Chelmsford, Legal and Democratic Services Manager, Pan Essex Council Tax Support Scheme Project Group

Relevant Policies and Strategies:

The report takes into account the following policies and strategies of the Council:

Benefits Operational and Internal Security Policy

Benefits Customer Service Policy

This form enables an assessment of the impact a policy, strategy or activity on customers and employees.

A: Assessor Details	
Name of policy / function(s):	Local Council Tax Support scheme with effect from April 2024
Officer(s) completing this assessment:	Robert Hawes
Date of assessment:	14 December 2023
B: Summary Details	
Description of policy, strategy or activity and what it is aiming to do	<input type="checkbox"/> new OR <input checked="" type="checkbox"/> existing (<i>If existing, when was the last assessment?</i> December 2022) <input type="checkbox"/> internal OR <input checked="" type="checkbox"/> external (i.e. public-facing) <input type="checkbox"/> statutory OR <input checked="" type="checkbox"/> non-statutory – parts of the policy will be governed by statute, those affecting pensioners and rules relating to entitlement to persons from abroad for both pensioners and working age
Policy Owner (service)	Revenues and Benefits
Scope: Internal - Service/Directorate/Council wide External – specify community groups	External – applies to any member of the community on a low income requiring assistance with their Council Tax liability

C: Assessment of impact

Using the information above, assess if the policy / function could potentially disproportionately impact on different protected groups. Specify if the potential impact is positive, could adversely impact or if there is no impact. If an adverse impact, indicate how the impact will be mitigated.

Please note any data used in the impact assessment should be anonymised and with due regard given to data privacy in line with GDPR.

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
<p>Age What will the impact be on different age groups such as younger or older people?</p>		<p>The amount of assistance available does vary dependent upon age, although no changes are proposed in this respect for 2024/25.</p>		<p>Pensioners receive additional allowances which ensure that they receive more support than a working age person with the same income. Individuals or households where both members are under 25 will receive less assistance than when one or both members are over 25. This disparity in assistance is a standard feature of all welfare benefit schemes. Pensioner households are entitled to a maximum of 100% of their Council Tax liability. Working age households are entitled to a maximum of 77% of their Council Tax liability</p>	

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
Disability Consider all disabilities such as hearing loss, dyslexia etc as well as access issues for wheelchair users where appropriate			No changes are proposed to affect people with this characteristic		Additional allowances are already in place for people receiving specified disability benefits.
Pregnancy and maternity Pregnant women and new and breastfeeding Mums			No changes are proposed to affect people with this characteristic		Households with children receive additional allowances which result in higher entitlements. Chelmsford City Council has not implemented the wider welfare benefit policy which restricts that assistance to the first two children in a household.
Marriage or Civil Partnership Could this policy discriminate on the grounds of marriage or civil partnership			There is no distinction between the treatment of married persons, persons in a civil partnership or unmarried couples.		
Sex Is the service used by people of			No distinction is made in the		

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
both male and female biological characteristics or intersex and are the sexes given equal opportunity?			assessment of entitlement as a result of biological gender.		
<p>Gender reassignment Is there an impact on people who are going through or who have completed Gender Reassignment?</p> <p>Additionally, is there an impact on people with different gender identity?</p>			No distinction is made in the assessment of entitlement as a result of gender identity.		
<p>Religion or belief Includes not having religion or belief</p>			No distinction is made in the assessment of entitlement as a result of religious belief.		
<p>Sexual Orientation What is the impact on people of different sexual orientation such heterosexual, lesbian, gay or bisexual people?</p>			No distinction is made in the assessment of entitlement as a result of sexual		

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
			orientation.		
Race Includes ethnic or national origins		Yes		Brexit removed entitlement from EU nationals without 'settled status'. This is in addition to the restrictions to benefit already in place on non-EU nationals.	This element of the policy is dictated by Government by way of statutory instrument and cannot be amended by the Council.
Are there any other groups who could find it difficult to access or make use of the policy / function? For example: low income / people living in rural areas / single parents / carers and the cared for / past offenders / long-term unemployed / housebound / history of domestic abuse / people who don't speak English as a first language / people without computer access etc.			No		

D: Consultation process, information used to analyse the effects on protected groups/equality and key findings		
Please describe the consultation process and evidence gathered. You may attach copies or links to the data / research you are using.		
1.	<p><u>Consultation/engagement</u> What consultation or engagement has been undertaken regarding this policy? <i>[Please summarise what, when and who was involved]</i></p>	<p>The policy was subject to public consultation between 3/12/20 and 18/01/21. Following analysis of the consultation responses, this impact assessment was amended. No substantive changes have been made to the policy since that date.</p>
2.	<p><u>Key findings</u> <i>(Summarise the key findings of your consultation in relation to protected groups as outlined above).</i></p>	<p>The consultation attracted very few responses. However, each of the three respondents who identified themselves as being in one or more of the protected groups agreed that the proposed change in wording should be made, with one respondent suggesting that the change should be more wide-ranging to allow changes in scheme design to be made at any time.</p>
3.	<p><u>Data/Information</u> What relevant data or information is currently available about the customers and employees who may use this service or could be affected by this policy? <i>(For example: equality monitoring, surveys, demographic data, research, evidence about demand/ take-up/satisfaction etc).</i></p> <p>What additional information could be collected which would increase your understanding about the potential impact of the policy? <i>(What involvement or consultation with affected groups is still needed?)</i></p>	<p>Incomes, capital holdings, age, sex and household make-up of existing recipients of Council Tax Benefit recipients are known. Data regarding disability can be inferred from both income and qualification for additional premiums. Data regarding ethnicity, sexual orientation, religious beliefs and language is minimal as these characteristics are not relevant when assessing entitlement. Respondents to the consultation were given the option to provide ethnicity, age, sexual orientation, disability and religious beliefs in addition to their answers.</p> <p>Feedback from customers, voluntary or community groups, advice agencies and residents was sought as part of the consultation.</p>

4.	<p>For existing policies, strategy, activity only: What has changed since the last assessment? <i>(For example: evidence of public concern or complaints / new information has come to light / changes in service provision / changes in service users/ assessed impact on protected groups etc)</i></p>	<p>Reductions in grants from central Government over a prolonged period have not been offset by more recent small increases. Inflation, the cost of homelessness and the overall commercial environment are placing considerable pressure on Chelmsford's finances. Councillors are able to decide whether or not to increase expenditure on Local Council Tax Support.</p>
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E: Relevance to the Equality Duty Aims:

Consider how the policy relates to the aims below (directly or indirectly), and if it could be adjusted to further meet these equality aims.

1.	<p>To eliminate unlawful discrimination, harassment and victimisation</p>	<p>People with disabilities will continue to receive additional premiums as part of the calculation of local Council Tax Support. Chelmsford's Local Council Tax Support scheme has retained additional premiums for disabled people and continues to disregard the whole of any Disability Living Allowance or its replacement, Personal Independence Payment, from the assessment of entitlement.</p>
2.	<p>To advance equality of opportunity between people who share a protected characteristic and those who do not <i>(This means removing or minimising disadvantages, taking steps to meet needs of different people and encouraging participation. It can involve treating people better than others, e.g. disabled people).</i></p>	<p>As above, disabled people will continue to be treated more favourably than non-disabled people with a similar income, which recognises the extra costs attributable to disability. Parents with dependent children will continue to receive additional premiums in respect of children as part of the calculation of support, thereby recognising the extra costs associated with bringing up a family. In 2015, Councillors rejected the option to remove the Family Premium (worth a maximum of £3.48 per week in Council Tax Support) from the calculation of LCTS for new working age claimants with effect from April 2016. There is no intention to remove the additional premiums awarded to households with more than 2 children within the means test. Therefore, people with children will still be treated more favourably than people without insofar as the additional cost of raising children is reflected in the amount of income a household with children can have before CTS is affected.</p>

3.	<p>To foster good relations between those who share a protected characteristic and those who do not. If so, how? <i>(This means promoting understanding between different groups and tackling prejudice)</i></p>	<p>This policy is not intended to affect community relations and no such effects have been identified, nor are any anticipated.</p>

F: Conclusion	
Decision:	Explanation:
<p><input checked="" type="checkbox"/> Continue the policy with no changes <i>[For example: evidence suggests no potential for discrimination / all opportunities have been taken to advance equality.]</i></p>	
<p><input type="checkbox"/> Continue the policy with adjustments <i>[For example: Low risk of negative impact / actions or adjustments would further improve positives or remove a potential negative impact.]</i></p>	
<p><input type="checkbox"/> Adverse impact but continue <i>[For example: Negative impact has been objectively justified.]</i></p>	
<p><input type="checkbox"/> Suspend or withdraw the policy for further review / consideration of alternative proposals <i>[For example: High risk of negative impact for any group / insufficient evidence / need to involve or consult with protected groups / negative impact which cannot be mitigated or justified / unlawful discrimination etc.]</i></p>	

Approved by:

Lead Officer / Responsible officer:Date:

Senior Manager: ...Robert Hawes.....Date: ...14 December 2023.....

[Please save a copy and send one to Human Resources for publication on the website as appropriate]



Chelmsford City Council

21 February 2024

Amendments to Council Tax Premiums in respect of empty properties

Report by:

Cabinet Member for Connected Chelmsford

Officer Contact:

Rob Hawes, Revenue and Benefit Services Manager, 01245 606695,
robert.hawes@chelmsford.gov.uk

Purpose

To confirm the extension, as agreed by Cabinet on 14 March 2023 and Full Council on 25 July 2023, of Council Tax premiums levied in respect of empty properties once a property has been empty and unfurnished for 12 months or if a property is empty, substantially furnished and nobody's main residence (a second home), and to clarify implementation dates and exceptions.

Options

1. To confirm the implementation dates of extended 100% Council Tax premiums as detailed in the recommendations
2. To agree local exceptions to the 100% Council Tax premiums as detailed in the recommendations
3. To note proposed statutory exceptions to the 100% Council Tax premiums and agree delegated powers to implement them

Recommendations

That Cabinet recommends to Full Council that the imposition of a Council Tax premium of 100% after a property has been empty and unfurnished for 12 months is effective from 1 April 2024.

That Cabinet recommends to Full Council that the imposition a Council Tax premium of 100% in respect of unoccupied dwellings, which are substantially furnished and nobody's main residence (second homes), is effective from 1 April 2025.

That Cabinet notes the proposed statutory exceptions to the imposition of Council Tax premiums and agrees an additional local exception in respect of second homes where planning constraints do not permit sale or lease of a property.

1. Background

- 1.1. Following its meeting on 14 March 2023, Cabinet recommended to Full Council that the scope of existing Council Tax premiums in respect of empty properties should be extended to apply to empty and unfurnished properties after they had been empty for 1 year rather than the current 2 years. Cabinet also recommended that a Council Tax premium of 100% should be applied to second homes, which are defined as properties which are empty, substantially furnished and nobody's main residence. Full Council accepted these recommendations at its meeting on 25 July 2023. The Cabinet report from 14 March 2023 is attached as a background paper to this report.
- 1.2. At the time of the original report, the Levelling-up and Regeneration Bill, which contained the provisions to amend s.11 of the LGFA 1992 to allow the imposition of these premiums, was still passing through Parliament and it was not clear when increased premiums could be imposed. The Bill has now received Royal Assent and definite commencement dates for these measures can now be set.
- 1.3. The Levelling-up and Regeneration Act 2023 includes provisions allowing the Secretary of State to define cases where Council Tax premiums may not be imposed. Such regulations have not yet been laid but an earlier consultation has given an indication of the situations where the Government is likely to legislate.
- 1.4. Local authorities also have the power to decide additional cases where they may not wish to impose a premium and this report makes a specific suggestion for approval. This report requests delegated authority to the Director for Connected Chelmsford to implement agreed local exceptions and any others which the Government may subsequently prescribe by regulation or guidance.

2. Long Term Empty Premium extension

2.1. As described in the background paper, the long term empty premium currently applies to properties which have been empty and substantially unfurnished for at least 2 years. The recommendation made by Cabinet and approved at Full Council was to reduce that timescale so that properties empty for 12 months would attract a 100% Council Tax premium. The Levelling-up and Regeneration Act 2023 confirms that this change can be applied from 1 April 2024. Applying the change results in the following situation:

Length of time property empty	Council Tax payable
0 to 3 months	0%
3 months to 1 year	100%
1 to 5 years	200% (100% Council Tax plus 100% premium)
5 to 10 years	300% (100% Council Tax plus 200% premium)
More than 10 years	400% (100% Council Tax plus 300% premium)

2.2. Not all properties which are empty and unfurnished attract a Council Tax liability. There are exemptions for properties awaiting probate or empty because: the resident is in prison or in a care home; the property has been repossessed, cannot be lived in by law or has been compulsorily purchased and will be demolished.

3. Properties empty and substantially furnished – ‘second homes’

3.1 The Levelling-up and Regeneration Act 2023 has specified that at least one financial year’s notice must be given of an intention to apply a 100% Council Tax premium in respect of properties which are described as ‘dwellings occupied periodically’. In effect, these properties are empty, substantially furnished and nobody’s sole or main residence. The year’s notice period means that the premium can be applied with effect from 1 April 2025.

3.2 The Council will use the intervening time until 1 April 2025 to advise existing second home owners, who currently benefit from a 10% discount on their Council Tax, of the change in policy and its financial effect.

4. Exceptions to the imposition of Council Tax premiums

4.1 The Government has released the results of a consultation which sought views on possible categories of dwelling which should be dealt with as

exceptions to the Council Tax premiums

<https://www.gov.uk/government/consultations/proposals-to-exempt-categories-of-dwellings-from-the-council-tax-premiums/consultation-on-proposals-to-exempt-categories-of-dwellings-from-the-council-tax-premiums-in-england> . This can be viewed as a useful indication of the Government's likely approach when it uses its powers within the Levelling-up and Regeneration Act to specify types of property which will not be subject to the imposition of Council Tax premiums, either indefinitely or for a finite period.

4.2 The consultation proposed that the following classes of property would be exceptions to premiums:

- **Properties undergoing probate** – both empty properties and second homes are likely to be exempt from the premium for up to 12 months after the grant of probate or letters of administration.
- **Properties that are actively being marketed for sale or rent** – likely to be exempt for up to six months, although either guidance or a local policy will be required to clarify the evidence required to support such an exception.
- **Empty properties undergoing major repairs** – likely to apply for 6 months where empty properties are undergoing major repair work or structural alteration.
- **Annexes forming part of, or being treated as part of, the main dwelling** – such annexes are proposed to be completely exempt from imposition of any premium.
- **Job-related dwellings** – currently there is a discount of up to 50% for properties which are unoccupied because the owner is required to live elsewhere for employment purposes. The discount applies where the dwelling is provided for the better performance of the duties of the post and it is the type of employment where it is customary for employers to provide dwellings for employees. The Government proposes that the dwelling should also be an exception to the second home premium. The exception will not apply in cases where somebody chooses to have an additional property in order to be closer to their place of work, whilst maintaining a family home elsewhere or where an individual is posted to a new location but maintains their previous address.
- **Occupied caravan pitches and houseboat moorings** – the Government proposes that these caravans and boats should be an exception to the second home premium.
- **Seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation or prevents occupancy as a person's sole or main residence** – the Government proposes that properties which have restrictions or conditions preventing occupancy for a continuous period of at least 28 days in any 12 month period, or specifies its use as a holiday let, or prevents occupancy as a person's sole or main residence should be an exception to the second homes premium.

4.3 In addition to the likely Government exceptions above, it is proposed that the Council also makes the following exception to the second homes premium – where a property is prevented from being marketed for sale or lease by a planning condition it should not be subject to the second homes premium. The rationale for this is that there are cases where properties are technically second homes, but the owners are prevented from disposing of them. In this event, the policy would simply penalise owners and not contribute to increasing the stock of available housing.

4.4 A policy will need to be developed to encompass all local and statutory exceptions and it is recommended that the Director of Connected Chelmsford is granted delegated powers to develop and amend existing policies as appropriate in conjunction with the Revenue and Benefit Services Manager.

5. Conclusion

5.1 This report confirms the use of financial penalties as a method to encourage owners to bring under-used accommodation back into general residential use. It clarifies the dates of implementation and identifies potential exceptions to the policy. Having declared a housing crisis in February 2022, the Council is obliged to use appropriate available methods to increase the supply of residential accommodation to its residents.

List of appendices:

None

Background papers:

Cabinet 14 March 2023 [agenda item 6.1– Amendments to Council Tax Premiums in respect of empty properties with effect from 1 April 2024](#)

Corporate Implications

Legal/Constitutional: All relevant legal considerations are addressed within the body of the report and the proposed policy.

Financial: Increases to the level and scope of Council Tax premiums is likely to generate additional income

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:

Consultees:

Director of Connected Chelmsford and Legal and Democratic Services Manager

Relevant Policies and Strategies: The report takes into account the following policies and strategies of the Council:

Chelmsford Housing Strategy 2022-2027



Chelmsford City Council

21st February 2024

Capital, Treasury Management & Investment Strategies 2024/25

Report by:

Leader of the Council

Officer Contact:

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

Purpose

To recommend an approach for managing the Council's:

- Cash and
- Other types of investment including property and
- Explain how capital expenditure, capital financing and treasury management activities will contribute to the provision of services along with an overview of 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.

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 January Cabinet. 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. 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 & 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 Strategy but delegates to the TMISC responsibility to monitor activity and recommend changes to the strategy. The Accountancy Services Manager (Section 151 Officer) has been delegated responsibility to manage operational TM activities within the approved strategy.

1.4. The Department for Levelling Up, Housing and Communities 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 the goals agreed from '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

- Changes from last year's strategy are
 - It is proposed to have a target of a minimum of £5m (previously £3m) of liquid funds to manage cashflow during the year. This reflects monthly fluctuations in cash levels.
 - Reporting on prudential indicators will be made to TMISC at least three times a year.
 - No other material changes from the previous year.
- Cash available for investment is expected to reduce as the Council internally borrows to fund the capital programme.
- Prior to completion of the budget gross interest income of circa £1.0m is expected for 2024/25 based on an assumed rate of 4.6% across the Council's portfolio. Forecasts provided to the Council identify a decrease in the Bank of England's base rate to 4% by March 2025.

Borrowing

- No changes to the principles of last year's strategy are proposed.
- 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 2024/25 Budget.
- The Section 151 Officer under the constitution manages investments and borrowings, so will undertake borrowing as needed. Prior to completion of the budget, the Council cashflow planning indicates that some temporary borrowing may be required in 2023/24. External borrowing is expected to be required in 2024/25 based on known and assumed financial commitments.

Non-Cash Investments (Investment Strategy)

- No changes to the principles of last year's capital 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 2023/24 Strategy which stated that the Council will not invest in commercial property.
- The strategy has provision to allow for the creation of a stand-alone housing company, if needed.
- The monitoring of non-treasury investments is undertaken by TMISC.

3. Conclusion

3.1. Cabinet is asked to accept the TMISC recommendation 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 2024/25

Appendix 2 – Treasury Management Strategy 2024/25

Appendix 3 – Investment Strategy 2024/25

Background papers:

Nil

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 its Capital Strategy.

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

Consultees:

Relevant Policies and Strategies:

Our Chelmsford Our Plan

Medium Term Financial Strategy

Capital Strategy 2024/25

- 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.

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.

- 1.2 Capital expenditure is where the Council spends money on non-current assets, 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, including Digital hardware. It also includes software, vehicles and plant and annual grants plus improvement loans which are budgeted for annually.

Capital Schemes 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 2024/25 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, 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 held and available, or where capital financing costs are offset from income/savings generated from the proposal or when increasing revenue costs is considered to be affordable.

It is always difficult to make choices between competing priorities and with reduced resources this is more challenging. To assist, it is proposed that regular 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.

Service managers bid annually in September to include projects and replacement items in the Council's capital programme, to obtain funding approval. Bids are collated by Accountancy who review the financial elements of the bid and calculate any financing and/or running costs.

In determining viability, capital bids must include:

- details of how the proposal will help to achieve the corporate priorities;
- details of the intended outcomes and potential running costs;
- 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
- based on robust costs not indicative

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

Following approval, the agreed Corporate Project Management approach to progressing the scheme should be followed.

Bids that are considered as lower priority, are unaffordable or that can be deferred can be added on to an aspirational list. The cost of the schemes on the aspirational list are not included in the forecast spend as they have not been approved.

An Aspirational Scheme list has been produced on page 16-17 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 included in the Capital programme.

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 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 will be prioritised to fund assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost. However, 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. From 2024/25 all leasing will be counted as a debt. However, leasing differs from traditional debt as often the leasing company can retain legal ownership of the asset and is 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 outright such assets.
- **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 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 non-specific.
- **Section 106 agreements and Community Infrastructure Levy (CIL):** if a new development is undertaken in 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. This will therefore use the principle of applying any suitable resource available to fund schemes before using borrowing (internal or external). For example, CIL resources will be applied to schemes that meet CIL regulatory requirements at the earliest opportunity if this defers or avoids the need to borrow.

1.5 Cost of the Capital Programme

In the 2024/25 budget, the Council is planning capital expenditure as summarised below:

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Replacement Programme Updated Budgets Require Approval	£3.973m	£4.618m	£5.546m	£7.057m	£2.995m
Capital Projects Forecast Variations Require Approval	£29.280m	£22.161m	£36.857m	£6.675m	£10.691m
New Capital Bid Submissions 2024/25 and 2025/26 Require Approval	£0.000m	£0.000m	£2.017m	£0.191m	£0.000m
Provision for potential new Capital Projects	£0.000m	£0.000m	£0.000m	£0.000m	£0.000m
TOTAL	£33.253m	£26.779m	£44.420m	£13.923m	£13.686m

Details of the programme can be found in the Budget Report 2024/25 elsewhere on this agenda.

This forecast expenditure has been assessed following a full review of the existing programme by Management team where a number of previously approved schemes have been moved to the Aspirational List as are now considered as unaffordable. The funding (CIL) previously earmarked for these schemes has been redirected to other higher priority schemes to limit the revenue costs of the capital financing.

Basis for Estimating Future Costs

The above table reflects the forecast capital programme and known replacement items. These costs are reflected in the Budget Report 2024/25 and variations from

previously reported costs require approval. The financial forecasts allow for borrowing costs for new yet to be approved schemes increasing by £150k per year.

There is a high risk that scheme costs will increase due to inflation and supply and demand. In future annual reviews of approved scheme budgets will be undertaken to identify and seek approval for the consequences of inflation. Also, the table does not include any provision for costs which may arise from updated building conditions surveys currently being undertaken. Decisions will need to be taken on the affordability and priority of any works, so as further cost information becomes known annual reviews of the capital programme will be needed to assess affordability.

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

Financing of the programme is currently planned as shown in the table below.

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Capital Receipts	£0.807m	£0.642m	£0.828m	£0.200m	£0.200m
Grants and Contributions	£13.788 m	£18.703m	£27.977m	£6.119m	£7.834m
Revenue Contributions	£1.351m	£2.309m	£0.303m	£0.059m	£0.062m
Borrowing	£16.140 m	£4.690m	£14.791m	£7.274m	£4.204m
Finance Leases	£1.014m	£0.000m	£0.521m	£0.271m	£1.386m
Operational Leases	£0.153m	£0.435m	£0.000m	£0.000m	£0.000m
TOTAL	£33.253 m	£26.779m	£44.420m	£13.923m	£13.686 m

The forecast resourcing of the capital programme has taken a much more cautious view of the amount of capital receipts expected to be received given the current economic conditions. This has resulted in increased forecast borrowing.

1.6 Borrowing strategy

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

The Council is able to borrow money on the money market or from the Public Works Loans Board (PWLB) to fund capital schemes or, on a short-term basis, use its own internal resources. However, for all capital schemes initially funded from borrowing, the Council will have to fund the principal repayment and interest costs. The Council is only able to borrow under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent, affordable and sustainable. The Prudential Code requires authorities to ensure that decisions for capital expenditure and investment plans are made with sufficient regard to the long run financing implications and potential risks to the authority and include effective due diligence.

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 from 2023/24.

<i>Estimates of Gross Debt and the Capital Financing Requirement in £ millions</i>	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Leasing (Debt)	£1.135m	£0.849m	£0.751m	£0.398m	£1.148m
External Borrowing	£0m	£7m	£38m	£38m	£30m
Total "External Borrowings"	£1.135m	£7.849m	£38.751m	£38.398m	£31.148m
Total Capital Financing Requirement (CFR)	£35.363m	£39.359m	£53.532m	£59.289m	£62.317m
Internal Borrowing (makes up the difference between CFR and external borrowings)	£34.228m	£31.510m	£14.781m	£20.891m	£31.169m

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. Interest will be charged based on an average PWLB annuity rate for a loan with a term equivalent to the life of the asset. For assets acquired under finance leases, the principal repayment inherent in the lease will be used as the basis for MRP in respect of those assets. 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, and this will result in additional capital spending being 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.

Planned repayments of debt and financing Costs

Minimum Revenue Provision (MRP) Charge

The below provides an indication of the cost to the revenue budget of repaying 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 in a future year but are instead shown as a separate line in the table below.

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
MRP	£0.282m	£0.408m	£0.515m	£1.083m	£1.840 m
Finance Leases MRP	£0.313m	£0.286m	£0.619m	£0.624m	£0.635 m
Total Planned Repayment of Debt	£0.595m	£0.694m	£1.134m	£1.707m	£2.475 m
Charges for Operational Leases	£0.264m	£0.313m	£0.000	£0.000m	£0.000 m
Total Financing Costs Excluding Self Financing Schemes	£0.859m	£1.007m	£1.134m	£1.707m	£2.475 m
Additional MRP Charge Self Financing Schemes	£0.000m	£0.000m	£0.005m	£0.081m	£0.086 m
Total Repayment cost	£0.859m	£1.007m	£1.139m	£1.788m	£2.561 m

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

	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit
Authorised limit – total external debt	£40m	£55m	£60m	£63m
Operational boundary – total external debt	£8.00m	£39.0m	£39.0m	£32.0m

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.

IFRS16 Implementation

Future changes to accounting regulations will require restatement of borrowing limits during 2024/25. The accounting changes are in relation to IFRS 16 and the re-categorisation in Council's accounts of operational leases to finance leases. The conversion will increase the level of debt held on the Council's balance sheet. Work is currently being undertaken to identify those leases that following conversion will be included as debt and an updated report will be taken to a future Cabinet/Council meeting. The table above includes the estimated impact of conversion of the leases and contract hires that are currently in place for vehicles, but it is likely that following an exercise currently being undertaken that additional 'leased' assets will be identified and will need to be included in the borrowing figure. This will need to be reported and the Authorised Limit and Operational Boundary borrowing limits will need to be reviewed updated and reported to Council for Approval.

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

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 ability to gain assurance of the affordability and sustainability of the capital expenditure plans.

The Council has a plan for disposals of assets and the expected funding is summarised overpage (individual values of receipts are not shown for commercial

reasons). Although the table shows very low or no receipts in some years, the Council plans to dispose of several sites in the period shown which will result in benefits other than capital receipts. These benefits are nomination rights for the use of affordable housing developed by Registered Social landlords (RSL's) on previously owned Council sites.

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Asset sales	£0.479m	£0.125m	£0.000m	£0.000m	£0.000 m

A more cautious approach to timing of receipts has been taken to move towards a more '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 31/03/2027.

At the end of 31/3/2025 there is no balance currently forecast as being held for capital receipts from the sales of significant assets. All 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.

Risk

To reduce the risk of overspends, wherever possible budgets should only be approved following completion of a business case when robust scheme costs have been identified allowing for suitable contingencies and inflation. Once schemes are approved regular monitoring must be 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 the development of a corporate project management "tool kit" for officers undertaking large projects will be completed in 2024/25 and implemented.

As part of capital planning, a number of potential future projects or needs for additional funding have been identified, these are included in the Aspirational List. The list will be kept under review, which should improve planning of capital financing and minimising the risk of allocating resources against lower priority schemes.

The updating of building condition surveys will reduce the risk of not identifying high need capital spend in timely manner and improve prioritisation.

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.

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 £62m by March 2027 with an ongoing £2.5m revenue cost. All members need to be fully informed as to all implications of its 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, £55m in 2024/25.

The strategy is focussed on what is necessary and what the Council can afford within the constrained revenue budget.

The figures above do not include any costs for scheme proposals on the Aspirational List. These should be reviewed and brought forward for consideration on the basis of priority and affordability.

The figures do not include any provision for new spend identified from condition surveys.

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

Service Aspirations List Identified October 2023

Aspiration	Brief Overview of Outcome
<u>Active Chelmsford</u>	
1 South Woodham Ferrers Leisure Gym & Studio expansion	To convert existing "gym" to enhance health & fitness facilities to enable daytime use in line with the swimming pool
2 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
<u>Strategic Outdoor Sports Provision</u>	
3 Additional 3G Pitch	Provision of additional facility location to be agreed
4 Runwell Sports and Social Club	Provision of additional facility for community by third party funded from S106 Contributions
<u>Connected Chelmsford</u>	
5 Museum Re-imagining The Bothy, Oaklands Park	Adaptations to expand use of asset
<u>Fairer Chelmsford</u>	
6	Future development plan for borough

Sandford Mill Future Use of Area

Greener Chelmsford

- | | | |
|---|---|---|
| 7 | Rivers, Waterways and bridges - development and Improvement | Parks, Green Spaces and Waterways Strategy 2022 and Improvement Plan for Rivers and Waterways Policy Board 2022 |
| 8 | Community Sports Ground North Chelmsford (East New hall School) | Provision of new community facility |

Growing Chelmsford

- | | | |
|----|---|--|
| 9 | Local Plan Digital Platform | Replacement digital solution to engage, prepare, consult and monitor future Local Plan |
| 10 | Public Realm - Market Square (1) | Enhancement to Market Square to make the space more attractive and active |
| 11 | Public realm - Half Moon Square to Stone Bridge (2) | Improve public realm in city centre |
| 12 | Public Realm - Stone Bridge to Baddow Road (3) | Improve public realm in city centre |
| 13 | Public Realm - Springfield Road (4) | Improve public realm in city centre |
| 14 | ECC Army and Navy Contribution | Contribution to ECC to enable development of highways |
| 15 | ECC East Chelmsford Cycling & Walking Connectivity | Contribution to ECC to deliver scheme |
| 16 | Q-Tech Park | Economic development initiative |
| 17 | North-East Chelmsford Garden Community Infrastructure | New development. |
| 18 | South Woodham Ferrers Town Infrastructure via CIL funding | Improve facilities |
| 19 | Land Bank | To create a provision to acquire new land for the future |

Treasury Management Strategy

- 1.1 Treasury Management at Chelmsford City Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA code) which 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 comes 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 monies purely to invest or lend on to make a return is unlawful and this Council will not engage in such activity. The borrowing of monies to fund the capital programme is allowed and there will potentially be the need to borrowing up to a year in advance to secure the funding or de-risk the interest rate risk. Officers will aim to minimise borrowing costs by investing surplus cash based on forecast cashflow needs.
- 1.5 In the event of major changes to the external or internal context in which this strategy has been set, 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 arising from the organisation's cashflows and debt management activity and matters of borrowing. Non-treasury investments will be covered separately under the Investment Strategy (**Appendix 2**). The monetary limits on borrowing are set in the Capital Strategy.

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 economic environment and interest rate forecast

- 2.2 The Bank Base Rate at the start of the financial year was 4.25% and has risen to 5.25%. The view of the market is that this potentially could be the peak (terminal) rate for this cycle.

CPI inflation has fallen from 8.7% in April to 6.7% in September and has further eased to 4.6% in October.

The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

A key measure of economic activity used by economists, the composite Purchasing Managers Index, fell from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021.

As the growing drag from higher interest rates intensifies over the next six months, the economy could continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly.

The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. There was also a decline in job vacancies in August which suggest labour market has loosened further since July. However, some of the loosening in the tightness of the labour market was offset by the decline in supply of workers. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

There has been a cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth. The headline 3 month year on year growth of average earnings rose by 7.8% for the period June to August.

- 2.3 In Bank of England's (BoE) latest monetary policy meeting on 6 November, the BoE left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

It is believed the BoE wants the markets to believe that rates will remain higher for longer. So is messaging that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary

pressures”, citing the rise in global bond yields and the upside risks to inflation from “energy prices given events in the Middle East”. The Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be “sufficiently restrictive for sufficiently long” and that the “MPC’s projections indicate that monetary policy is likely to need to be restrictive for an extended period of time”. Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the BoE the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

- 2.4 Below is Link’s interest rate forecast on their view of the movement of interest rates between 2023 and 2026. They are forecasting interest rates to be falling over this period. We have based our planning around this, however actual Treasury Management activity will follow prevailing market conditions.

Link Group Interest Rate View 07.11.23		Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE		5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings		5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings		5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings		5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB		5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB		5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB		5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB		5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Credit Outlook and counterparty risk

- 2.5 The institutions on the Council’s approved counterparty lists are well-capitalised and general credit conditions across the sector are expected to remain benign, limiting the chances of losses to the Council.
- 2.6 Public Bodies provide much less risk as investment counterparties, but yields can be lower. The Council will consider security, liquidity and return when reviewing new investments over different organisations and different investment categories (property, 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 notice would have any impact on the ability of the Council to repay loans on maturity.

Officers believe investing in private banks and building societies that meet our risk appetite and investment criterion can offer higher returns than offered by public bodies when there is uncertainty with interest rate movement. When considering investing, we will consider return in deciding between public bodies and private organisations.

3. Local Context: Investment Balances and Potential External Borrowing

- 3.1 At the end of October 2023, the Council held £54m of investments. These investments arise from balances including unspent Community Infrastructure Levy (CIL) and reserves, as well as income received in advance of expenditure.

Forecast year-end investment balances are in the table below. These are best estimates at this stage; significant variation could occur due to changes in the Capital Programme and other changes.

Date	31/03/2023 Actual (£m)	31/03/2024 Forecast (£m)	31/03/2025 Forecast (£m)	31/03/2026 Forecast (£m)	31/03/2027 Forecast (£m)
Year-end investment held	41	20	14	14	14
Cumulative External Borrowing	0	7	38	38	30

Officers believe the above are best estimates available with forecast showing that there is potentially the need to borrow from March 2024. This will be subject to whether there is further slippage in the capital expenditure and if income such as CIL arrives earlier than expected.

The above investment balance is made up of working capital of £5m and £9m of long-term investments that is supported by long-term reserves and other balances.

- 3.2 The table below shows the forecast external borrowing costs. These costs could vary due to the timing of the capital spend and the interest rate when financing is sourced.

The borrowing costs below assume short term loans from other local authorities and interest rate assumptions listed in section 2.4 above. This is consistent with advice provided from our external treasury advisors where any external borrowing should be kept short dated.

	31/03/2023 Actual (£'000)	31/03/2024 Forecast (£'000)	31/03/2025 Forecast (£'000)	31/03/2026 Forecast (£'000)	31/03/2027 Forecast (£'000)
Forecast External Borrowing Costs	0	32	789	1,298	899

- 3.3 During most months, the cash balance can rise and fall by between £10m and £15m due to receipt of income and payment of precepts to other Essex bodies. The Council should therefore aim to keep sufficient cash in hand to manage these fluctuations. However, the Council can undertake temporary borrowing, and will do so wherever needed to ensure sufficient liquidity.

The financial year-end tends to be the lowest point for the Council's cash balances. This is because most residents pay their Council Tax over 10 instalments, but the Council pays these out to central government and other precepting authorities on a monthly basis; so significant net cash outflows occur

in February and March each year. The principles to establish how investments should be managed are discussed in Section 4 below.

- 3.4 The Capital Strategy published with the Revenue 2024/25 budget papers will include debt limits reflective of the 2024/25 budget

The CFR (Capital Financing Requirement) is the amount of capital expenditure the Council has financed by (internal or external) borrowing. The budget report will update the forecast of the CFR and the table below shows current estimates.

Temporary Use of Surplus cash	March 2023 Actual £m	April 2024 Forecast £m
Capital Financing Requirement	35.363m	39.359m
Made up of:		
External Debt (External borrowing & leasing)	1.135m	7.849m
Surplus cash internally borrowed	34.228m	31.510m

The Council has reserves which are cash-backed which can be invested for long-periods as the Council always maintains a certain level of reserves and working capital.

It is not unusual for councils to hold investments equal to working capital whilst external debt is being used to fund capital expenditure. Working capital is the day-to-day cash balances held for the normal operations of the Council such as making payments to suppliers.

The Council also run down investments by internally borrowing cash backed resources to fund the capital programme instead of external loans. This can enable the opportunity to finance capital expenditure at lower debt costs than external borrowing.

Borrowing Sources

- 3.5 The Council has a need to fund its capital plans from borrowing. This section of the strategy sets out the Council's methods to borrow. 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 3.4, the CFR is the amount of capital expenditure the Council has financed by internal or external borrowing and so will be determined by the Budget Report 2024/25.
- 3.6 The practice and assumption is internal borrowing is prioritised over externalising debt, however, the Section 151 Officer will monitor external rates of borrowing and the sustainability of using internal borrowing to determine if it becomes more beneficial to externalise the debt.
- 3.7 When the Authority needs to borrow externally it will seek to strike a balance between minimising interest costs, securing certainty of borrowing costs and

having the planned liquidity required. 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 5.4 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).

- 3.8 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 will be expected by the PWLB to certify 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 the purchase of investment assets primarily for yield should be excluded from the capital programme. This is recommended not only due to the reduced rates now available through PWLB but due to the backstop accessibility of this source of borrowing.

- 3.9 The Council already has in place the following set of debt indicators and will revise them 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 on the other hand is a lower figure 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. It will not normally be a matter of concern if the Operational Boundary is breached due to temporary variations in cash flow. However, a sustained or regular trend above the Operational Boundary would require investigation and appropriate action.

The authorised and operational borrowing will be set out in the Capital Strategy to be published in January 2024; they will be linked to the CFR (the borrowing needed to fund the capital programme).

- 3.10 Officers may find it appropriate to undertake short-term borrowing for liquidity purposes.
- 3.11 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

4 How we intend to Invest 2024/25

4.1 The Council's treasury investment strategy will prioritise its investment objectives in the following order:

- 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 2024/25 a target of at least £5m 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.

4.2 No fixed-duration investments over 365 days are currently proposed for 2024/25. This will be reviewed during 2024/25 depending on interest rates, cashflow and counterparty risk. It is recommended any investments beyond 365 days are at the discretion of the Section 151 Officer, up to a limit of £10m as recommended in Section 7.4.

4.3 The Council use credit ratings and Link Group list of suggested counterparties to determine suitable counterparties. Link Group 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.

This modelling approach 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 end product of this is a series of colour-coded bands which indicate the relative creditworthiness of counterparties.

Link Group aim to promote security of assets first through diversification, as well as limits on the sums invested and limits on which counterparties the Council can invest with. A suggested list of counterparties is available live through their passport service and is also released by Link Group on a weekly basis.

The Council policy has been, and is, recommended to differ from Link Group 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 Counter parties than suggested by Link Group, but still maintaining diversification of investments and therefore security of the Council's assets. How this works in practice is explained in sections 4.6, 4.7 and 4.8 below, whilst section 4.13 sets out the duration limits allowed.

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.

Given the advice received by the Council regarding credit risks, sub-inflation returns and potential economic slowdown, the Council will retain within the strategy the following investment types:

- Enhanced Money Market Funds & Money Market Funds (MMF)
- UK Public bodies
- Unsecured Bank Investments
- Unsecured Building Society Investments
- Unsecured Non-UK Bank Investments
- Unsecured Registered Social Landlord Loans
- Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds
- Multi Asset funds, Bond funds and Property funds

- 4.4 **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 day notice to withdraw funds.

The Council invests short-term cash in several AAA-rated money market funds. These funds provide a rate of interest (5.26%-5.37% in November 2023) 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.

- 4.5 **UK Public Bodies.** Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts as these 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.

- 4.6 **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 with which the Council lends have either remained the same or improved as a result of ringfencing. The Council believes that it is prudent to invest with banks who are on Link Group suggested lists. Link Group only suggest investments with UK banks for up to 6 months for the majority of those listed. The Council differs from Link Group advice in terms of the length of investment, up to a period of 365 days. But only if the credit rating criteria (table 4.13 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 Link Group list.

- 4.7 **Unsecured building society investments.** Link Group recommend a pool of Building Societies that it suggests clients could invest with. Where our criteria do differ to Link Group relates to the suggested duration periods where Link Group only recommend up to a maximum of 6 months. The Council current policy goes beyond Link Group 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 Link Group. 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 Link Group based on duration.

- 4.8 **Unsecured Non-UK bank investments.** Link Group review the approach to investment with non-UK banks separately to UK banks. This reflects the different risks and ownership structures that affect the security of the investment. The Council first uses Link Group 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 Link Group advice in terms of the length of investment, as long as the credit rating criteria above are met. The Council will not invest with any bank that is not on the suggested Link Group list. In practice, the Council's approach is more conservative than Link Group 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 Link Group where the non-UK bank has a rating of AA- or above, with a few exceptions where Link Group suggested duration is up to 2 years.

- 4.9 **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.
- 4.10 **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 Link Group 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.

- 4.11 **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 31st October 2023, the Council has an investment of around £15m in the CCLA property fund and 3 Multi-Asset funds. These funds are backed by cash in reserves and other long-term balances.

The extension of the IFRS 9 statutory override in local government was extended until 31 March 2025. The standard covers financial instruments and requires fair value movements in pooled asset funds to be reflected in budgets. Currently the changes in valuation are treated as unrealised loss or gains but once the IFRS 9 overrides ends, the gains and losses in valuation will be crystallised and impact on unusable reserves.

- 4.12 **Challenger Banks.** As part of the Government's policy to reduce the size of banks and to encourage competition, new 'challenger banks' are appearing in the UK banking market. Many of these challenger banks are unrated but do have high levels of capital buffers.

It is recommended that the strategy is unchanged so as to not consider investments in challenger banks.

- 4.13 **Counterparty – Duration and Monetary Limits**

The duration that an investment is made for impacts on the level 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 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 2023/24 is £3m per financial institution and it is recommended that this is retained for 2024/25 as 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
CCLA	Local Authority	Property Fund		Unrated	£8m	n/a	None
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

- 4.14 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 possibly for internally managed bank deposits and short-term investments (money market funds).

5. **Role of the Treasury Management and Investment Sub-committee**

- 5.1 The Sub-committee will be informed of investment activity and of significant changes in conditions that lessen or increase the risks of the Council's Treasury Management activity. The Sub-committee will, where necessary, recommend changes to officers and report back to Council.

6. Treasury Management Indicators

- 6.1 The code requires local authorities to have regard to certain treasury indicators. The following indicators will assist in measuring and managing the Council's exposure to Treasury Management risk in 2024/25.

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 volume of finance reports already made to formal committees, it is recommended that we report three times a year to TMISC or Cabinet. Officers believe the existing 3 meetings of the TMISC committee are sufficient.

- 6.2 The Council has both limits and targets within the below indicators. Limits should not be breached during the time period covered by the Strategy, whereas Targets are an aim that Officers will try and work within, but which can be breached during the year if absolutely necessary.
- 6.3 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 Amended	Target
Total minimum cash available within 35 days	£5m

- 6.4 Long-Term Treasury Management Investments – 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	2023/24	2024/25	2025/26	Investment Funds
Limit on principal invested beyond year end	£10m	£10m	£10m	£20m

The £20m shown is a maximum limit for investment funds which have no fixed maturity date such as Multi Asset or Property funds. 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.

- 6.5 Counterparty Indicator – This indicator measures whether the Council has operated within its approved limits for counterparties and any breaches will be reported during the year.
- 6.6 Target Income Yield – This indicator sets a target for the interest income return from the Council's investments in funds.

Yield Indicator – Existing	Target
Average Interest Rate Earned on external funds	4.9%

6.7 Maturity structure of borrowing:

These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits. 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 2024/25		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	50%
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 2024/25		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	50%
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.

With interest rates being expected to be at a high point and the recommendation of keeping borrowing short by our treasury advisors with the expectation of interest rates falling (see 2.4 above), borrowing maturity will be kept short initially and reviewed over time as interest rates changes.

For the purposes of the strategy, short term borrowing will be defined as borrowing for up to 2 years, medium term between 5 year to 10 years and borrowing beyond 10 years will be deemed as long term.

6.8 Liability Benchmark:

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	31/03/23 Actual (£m)	31/03/24 Estimate (£m)	31/03/25 Forecast (£m)	31/03/26 Forecast (£m)	31/03/27 Forecast (£m)
1	Capital Financing Requirement (CFR)	35	39	53	59	64
2	Less: Balance sheet resources	76	37	20	26	39
3	Net loans requirement (Negative shows surplus cash/Positive are external borrowing requirement)	-41	2	33	33	25
4	Plus: Liquidity allowance.	3	5	5	5	5
5	Liability benchmark (Negative shows surplus cash/Positive are external borrowing requirement)	-38 Invested only	7 Externally borrowed	38 Externally borrowed	38 Externally borrowed	30 Externally borrowed

The Liability benchmark was a new prudential indicator introduced for 2023/24.

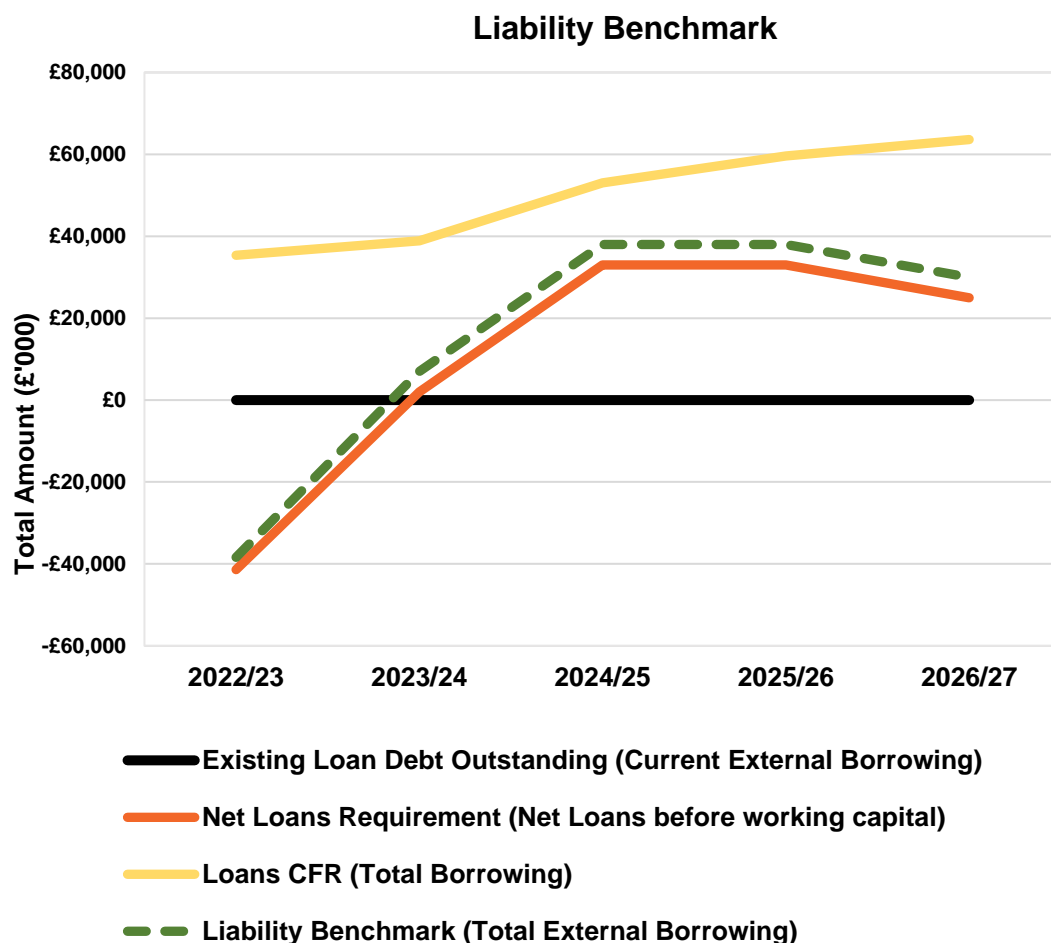
The table above shows

Ref 1 our capital financing requirement, being total external and internal borrowing needed to fund the capital programme. Example at 31/03/23 the capital programme needed £35m of borrowing.

Ref 3 is a forecast of any external borrowing expected/required. A positive figure means external borrowing is forecast to be required. This indicator will be updated by the Section 151 officer for January Cabinet to reflect any new budget proposals.

The current forecasts identify short-term borrowing of c.£7m will be needed towards the end of March 2024 and £38m in 2024/25 and £38m in 2025/26 cumulatively. The Council will have higher CFR (total borrowing) in 2025/26 but because of expected CIL receipts no increase in external borrowing is expected over 2024/25 levels.

The information above is shown graphically on the next page.



6.9 In May 2022, the government introduced The Levelling Up and Regeneration Bill (the LUR Bill), which expanded the government's statutory powers to directly tackle excessive risk within the local government capital finance system. The aim of the LUR Bill is to reduce the risk to the overall system. The proposed measures provide a flexible range of interventions for the Government to investigate and take action in extreme circumstances and provide the Government with the flexibility to intervene where it is appropriate to do so, based on the Government's assessment of risk. Earlier in the year, the Government consulted on calculations for four risk metrics to be used as part of the assessment. The metrics include trigger points indicating, if breached, that an authority is considered to be operating with excessive risk. We are awaiting outcome of the consultation, but these measures could potentially be in place from 1st April 2024. An update will be provided to a future TMISC following Government's confirmation of the risk metrics assessment process.

7 Interest Income

7.1 The indicative budget for interest income for 2024/25 is £1.0m based on an average investment portfolio of £22m at an interest rate of 4.6%. 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 also highly dependent on the timing of capital programme expenditure and income can be higher due to programme slippage.

Investment Strategy

This document ensures compliance with the requirements of the CIPFA Prudential Code and Department for Levelling Up, Housing and Communities (DLUHC) guidance on local authority investment. The CIPFA code and DLUHC 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

- The types of non-cash investments
- How Council monitors performance
- The role of the sub-committee

Investment Primarily for Yield (overarching principle)

Guidance from the PWLB issued in 2020/21 prevents any local authority from borrowing from it for any purpose, if, in the current or following 2 years, the authority has plans in its capital programme to invest in assets 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. So, 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 2021 Prudential and Treasury Management code has been revised to be more explicit in their recommendation that authorities must not borrow for the primary purpose of earning a financial return. It has also increased the level of reporting on 'non-treasury' investments.

Service Investments: Loans and Shareholdings

These are investments, including making loans to and buying shares in local service providers, local small businesses to promote economic growth and for some authorities to subsidiary companies that provide services. In light of 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. In order 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	31.3.2023 actual			2024/25
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Chelmsford City Football Club	£0.083m	£0.083m	£0.000m	£0.083m
Maximum New loans if required.	Nil	Nil	Nil	£10.000m
TOTAL LIMIT	£0.083m	£0.083m	£0.00m	£10.083m

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 Council will monitor the financial position of the recipient or potential recipient through the use of (but not limited to) financial reporting tools, 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 loss allowance for 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.

Governance: This is set out within the Capital Strategy.

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. These will need approval in line with financial rules.

Commercial Investments:

DLUHC 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 works.

Property Type	31.3.2023 Actual £ms					31.3.2024 Expected £ms			
	Acquisitions In Year	Disposals In Year	Transfers to PPE in Year	Gains or (losses)	Value in accounts	Acquisitions In Year	Disposals In Year	Works/ Additional Gains or (losses)	Value in accounts
Office	£0.00	£0.00	£0.00	£4.20	£16.32	£0.00	£0.00	£0.00	£16.32
Other	£0.00	£0.00	£0.00	£0.52	£5.32	£0.00	£0.00	£0.00	£5.32
Retail	£0.00	£0.00	£0.00	£21.30	£36.26	£0.00	£0.00	£0.00	£36.26
Industrial	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
TOTAL	£0.00	£0.00	£0.00	£24.98	£57.90	£0.00	£0.00	£0.00	£57.90

The Council will continue to purchase 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.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness. The Council has not committed to any such agreements.

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 in order 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 Strategy creates. The Council therefore provides training for members on the appropriate issues by providing advice and access to Link Group, 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 Link Group as Treasury Management Advisors and external property valuers are engaged when undertaking material purchases.

Investment Indicators

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

Total risk exposure: 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	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Treasury management investments	£41.00m	£20.00m	£14.00m
Service investments: Loans	£0.083m	£0.083m	£0.083m
Commercial investments: Property	£57.9m	£57.9m	£58.31m
TOTAL INVESTMENTS	£98.983m	£77.983m	£72.393m

The changes in commercial property values are projected changes in assets values, which given the Covid pandemic and structural changes to the economy (home working) are highly uncertain.

How investments are funded: Investments funded from borrowing have more risk than those funded from surplus resources, so the Government guidance is that there should be indicators on how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing.

Investments funded by borrowing	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast	31.03.2026 Forecast
Service investments: Loans	Nil	Nil	Nil	Nil
Commercial investments: Property*	£5.583m	£6.803 m	£7.148m	£6.979m
TOTAL FUNDED BY BORROWING	£5.583m	£6.803m	£7.148m	£6.979m

*A commercial property funded by debt in 2019/20 was a result of the Council decision to not make revenue contributions to capital in 2019/20 due to the pandemic. If the revenue contributions had been made 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 relates to remodelling works to existing properties and development of existing sites. The impact of the pandemic has changed the demand for larger office space. As a result the Council has spent and has planned expenditure to remodel office space to maintain expected income stream.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investments net rate of return (income)	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	2.5%	4.9%	4.5%
Service investments: Loans	Nil	Nil	Nil
Commercial investments: Property	6.6%	6.5%	5.2%
Treasury Management Income £ms (draft estimate 24/25)	£1.9m	£2.4m	£1.0m
Investment Rent Income £ms (draft estimate 24/25)	£3.8m	£3.7m	£3.1m

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	2022/23 Actual	2023/24 estimate	2024/25 estimate	2025/26 estimate	2026/27 estimate
Income from Treasury Management as Percentage of Net Revenue Income	3.4%	4.8%	1.9%	1.3%	1.1%
Total Borrowing Undertaken to Fund Investment Properties	£5.6m	£6.8m	£7.1m	£7.0m	£6.8m
Commercial Income as percentage of Net Service Expenditure	7.5%	7.9%	6.9%	6.6%	7.6%

The estimates/indicators reflect the historic decisions and the schemes included in the proposed/approved Capital programme. 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 into any further investments except for short term Treasury Management activity until appropriate alleviation of the breach is undertaken.

Limits	2022/23 Limit	2023/24 Limit	2024/25 Limit	2025/26 Limit	2026/27 Limit
Commercial Income as percentage of Net Service Expenditure	14%	14%	11%	11%	11%

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.
- Any changes to Dunn and Bradstreet rating of tenants

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

Chelmsford City Council

21 February 2024

Budget for 2024-25

Report by: Leader of the Council

Officer contacts: Phil Reeves, Accountancy Services Manager (section 151 officer).
Tel: 01245 606562. Email: phil.reeves@chelmsford.gov.uk.

Purpose

Each year Cabinet is required to make a proposal to Council to agree a budget for the next financial year. This report contains the 2024/25 budget recommendations of Cabinet.

Recommendations:

1. That the Council notes the report of the Section 151 Officer on the risks and robustness of the budget in **Section 8 (Appendix 1)**.
2. That the Council approves:
 - A. The budget report in **Appendix 1**, including:
 - i. The new Capital investments in Council Services and the delegations to undertake them in **Section 5** Table 13 and 13a.
 - ii. The Revenue Budgets in **Section 10** and Capital Budgets in **Section 11**
 - iii. An increase to the average level of Council Tax for the City Council increasing the average annual Band D Council Tax to £221.52 in **Section 9**
 - iv. The reserves and budget forecast shown in **Section 7**
 - v. Special expenses, Parish tier Councils precepts as identified in **Section 9, Table 22**.
 - vi. Delegation to the Chief Executive to agree after consultation with the Leader of the Council the pay award for 2024/25 within the normal financial delegations.

B. The Council Tax Resolution in **Appendix 2** which fulfils the legal requirements to set a Council Tax for 2024/25.

1. Cabinet Proposal and Amendments.

1.1 Under delegation the budget report by Cabinet has been amended to allow for:

- The Government grant settlement to the Council has increased by £226k over the provisional settlement published in December. This was reported at the Cabinet meeting by the Leader. The budgets, forecasts and reserves have been updated to reflect the additional funding.
- Updated estimates for Business Rate Retention Income. The Government requires Councils to formally set their business rate estimate at the end of January after Cabinet have met. The report to Council is amended to allow for this formal estimate but the impact on the Council's revenue budget is neutralised by transfers to the Business rate retention reserve. The reserve is used to hold the multi-year flow of entries for the Business Rate Retention scheme.
- The report now includes details of the 2024/25 Council tax levels for all precepting bodies.

1.2 The budget report in **Appendix 1**, provides the funding for core Council Services and supports the aims of Our Chelmsford, Our Plan. The budget reflects the need to find budget reductions to offset low government funding and to invest in the priorities of the authority.

1.3 Section 1 of **Appendix 1** provides a summary of the budgetary issues.

1.4 Section 8 provides the view of budget proposals by the Section 151 officer as required by statute. Members are asked to have regard to that opinion when considering the budget.

1.5 **Appendix 2** fulfils the legal requirements needed to set a Council Tax for 2024/25.

List of appendices:

1. Budget Report 2024/25
2. Council Tax resolution

Background papers:

Nil

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: This report sets out the legal requirements placed on the Council to set a balanced budget and approve a level of Council Tax for the coming year. As is set out in the report Cabinet makes recommendations which fall to Full Council to take the final decision.

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: N/A

Risk Management: A review of the risks is in the report.

Equality and Diversity: The budget report itself does not require its own equality impact assessment but individual proposals within the report are considered for their impact, and equality impact assessments are produced where applicable.

Health and Safety: N/A

Digital: N/A

Other: N/A



Budget report 2024/25

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Section 1 Introduction to the Council's 2024/25 Budget

Chelmsford has the most challenging budget position it has ever faced. But it is not alone in facing such a challenge.

The years 2024/25 and 2025/26 represent a pivotal moment for the finances of this and every other council. Revenue and capital budgets are being severely challenged by significant adverse factors. The main problems are:

1. **Historically high inflation impacts on the Council's costs.**
 - CPI has been around 3.9% over the last 12 months and 10.7% the 12 months before that.
 - Council energy costs have risen from £1.3m in 2021/22 to £3m in 2024/25
2. **Significantly increased demand and higher costs of Homelessness services.**
 - The number of Households the Council has been required to house in temporary accommodation has risen since March 2021 from 243 to some 471 in November 2023 and is forecast to increase to 620 by March 2025.
 - The cost of each household placed in temporary accommodation is increasing. Since March 2023, the average case has risen from £8.5k to £10.6k per year. However, the cost of each new case is around £13k so the average cost per case can be expected to continue to rise.
 - Government funding via Homeless prevention grant is expected to be some £311k higher than the 2023/24 budgeted level, but this is still not confirmed. This will only help slightly, as the Council's budget will rise by £3.7m for Homelessness costs.
3. **Insufficient Government support**
 - Chelmsford's revenue core funding from Government is £11m per year less now than 2010/11 if it had kept up with inflation.
 - For the City Council, the Government's core funding settlement for 2023/24 provided an additional £390k (5%), and for 2024/25, £675k (9%) in cash grants.
4. **Capital Funding**
 - Capital resources are scarcer due to economic conditions. Community Infrastructure Levy (CIL) and capital receipts are both being impacted by the slower economy.
 - The budget and forecasts include the impact of financing Chelmer Waterside (loss of interest on CIL spent) but cannot yet include the beneficial income or capital receipts on the long-term development. The budget forecasts are likely to improve as the scheme moves forward.
 - The long-term cost of financing the capital programme has increased as the cost of borrowing has increased significantly from 1.2% in November 2021 to 5.7% in November 2023, though market rates have started to fall, and that trend is assumed within the budget.

October Cabinet received a report on the City Council's finances. The report identified nationally that many authorities are in much greater financial distress, and almost weekly there are new reports of Councils facing imminent financial failure (S114 notice).

Financial monitoring for the current year **2023/24** was undertaken for Cabinet members in December 2023 and provides evidence of the financial pressures facing the Council. In summary, these pressures are:

- A local pay award, being an ongoing pay award of a minimum of £1,425 or 4% plus one-off payments dependant on employee grade. This results in a cost of £1.27m for the one-off payments and an ongoing cost of £0.39m. It should be noted that the local pay offer was lower than the National local government pay award.
- Projected overspend on Temporary accommodation and Housing services of £1.7m.
- Gain of £1.4m from interest earnings. This is not expected to be ongoing as Council cash is being spent to fund the capital programme in 2023/24 and later years.
- Business rate retention income (Government allows Councils to retain a share of business rate income growth). The Council budget is cautiously only using £0.5m to support ongoing expenditure in 2023/24. Actual retention income is likely to be circa £3m in 2023/24. Any surplus above £0.5m in 2023/24 will be retained in a specific reserve. This will provide a specific contingency for 2024/25 and onwards when the budget proposal assumes some £2.25m of Business rate Retention is available to support ongoing revenue budgets. This reserve is necessary given the risks surrounding estimating for business rate income and is discussed later in the report. In past years, this income would have been a windfall to offset unexpected overspends in a year or set aside to fund capital.

The projected year-end position for 2023/24 suggests that, since February Council, additional expenditure of £2.4m will be funded from the general reserve. There is an expected net reduction in the use of earmarked reserves to fund service costs of £0.9m mostly due to lower than anticipated energy costs.

2024/25 Budget

Chelmsford has the most challenging budget position it has ever faced. The years 2024/25 and 2025/26 represent a pivotal moment for the City Council's finances. Without a mix of, increased funding from Government, a fall in energy costs, lower cost/demand for services; especially homelessness, or large increases in fees and charges, difficult decisions regarding service provision will be needed.

The overall 2024/25 budget can be explained by reference to changes compared to the approved 2023/24 budget. The table below shows cost increases or loss of income as positive figures and negative figures are income gains or reduced costs. When the table mentions reserves, positive figures are less use of reserves and negative figures are increased use in reserves.

Table 1

Budget Gap Budget 2024/25 and Forecast (change from preceding year)				
	See Report Section	Budget 2024/25 £000s	New Forecast 2025/26 £000s	New Forecast 2026/27 £000s
Summary Variances				
Cost - inflation & pressures	Sec 3, pg15, tbl6	1,732	1,557	1,646
Housing Temporary Accommodation	Sec 3, pg13, tbl4	3,720	1,510	1,350
Other	Sec 3, pg17, tbl8	496	450	450
Variations in One off /Temporary items	Sec3, pg18, tbl9	641	-658	-467
Capital Financing	Sec6, pg31, tbl15	966	1,371	547
Budget Gap before Funding		7,555	4,230	3,526
Funding Available to Meet Gap				
Savings	Sec4, pg19, tbl12	-944	-19	0
Income - Fees and Charges yield and demand changes	Sec 4, pg19, tbl10	-2,199	-790	-810
Business Rate Retention - estimated higher income	Sec 2, pg11	-1,750	0	0
Assumed higher Government funding	Sec 2 pg12	-986	-156	-160
Council tax increase	Sec 9, pg47	-627	-644	-658
Council Tax deficit or Surplus	Sec 9, pg47	-37	-156	0
Reserve changes - Additional use/ + less use	Sec 7, pg36,tbl18	-1,012	2,819	406
Annualised Budget Gap forecast		0	5,284	2,304
Net Gap If prior year not balanced		0	5,284	7,588

The budget gap for 2024/25 has not been fully funded by budget reductions and new income, so £1.11m of unearmarked general balance reserve is being used to make good the unresolved budget gap in 2024/25. This means that the £1.11m unfunded 2024/25 shortfall is carried forward and the deficit in 2025/26 is £1.11m higher as a result at £5.284m.

The use of reserves is not sustainable in the long term as reserves are finite. However, it is too early to implement all the financial measures needed to move the budget onto a sustainable footing. One reason to wait is the imminent general election, which means that decisions on funding for the medium term have not been made by Government. The use of reserves to balance the budget is Government recommended advice. Also, and perhaps more importantly, the Council needs time to:

- fully determine if the cost of homelessness will rise as high as predicted,

- plan robust solutions with the least impact on residents. This will likely include actions to reduce as much as is possible the growth in the cost of homelessness services and minimise capital spend further.

Summary of actions

The actions recommended in this report to balance the 2024/25 budget are a mix of:

- Use of reserves to meet temporary costs and income losses from tenancies ending at rental properties; Visteon and Eagle House £1m.
- Use of reserves to meet ongoing costs £1.11m, during 2024/25.
- Increasing the use of Business Rate Retention Income to support ongoing expenditure in 2024/25 from £0.5m to £2.25m. Any surplus in 2023 Retention income in 2023/24 is to be set aside as specific contingency. There is a risk that this source of funding could be reduced by Government after 2024/25.
- A review of the Capital programme has deferred some £14m of expenditure resulting in a revenue cost avoidance of £0.5m (Section 11 Table 26).
- Fees and charges for some services are increasing by more than 3%; the total extra income from all charge increases is £1.9m (section 4).
- Efficiencies and some service reductions (section 4): £1m.
- Maximum permissible Council tax increase equivalent to £6.44 on a Band D (after allowing for rounding) in line with the Government funding assumptions.
- A financial plan will be produced to move the Council's budget on to a sustainable footing during 2024/25.
- Continuing to lobby Government for appropriate levels of funding.

Medium and Long-term Financial Strategy

The Council's Medium Term Financial Strategy published in 2024 and the 2025/26 budget will set out the long-term actions necessary to bring the Council's finances onto a more sustainable course.

The protection of service provision to the public will remain the priority.

Appendix 1 Report contents.

This Report is split into sections to explain how the budget for 2024/25 was balanced, the risks, and the outlook. The report also updates the capital programme.

Section 2 identifies the main Government funding sources for 2024/25.

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

Section 4: Increased Charges and Budget Reductions. 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 2024/25 budget proposals.

Sections 6 to 8 identify 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 £6.44 per year after allowing for rounding of Council Tax bills into ninths.

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

Section 2 Government Funding

The Council has been provided with a provisional Government funding settlement for 2024/25.

The Government has, for around 6 years, been advising that it will amend funding allocations to all councils by changing the national formulas. Those changes are now deferred until after the general election but, as it will be necessary to consult on any material changes, it is likely that significant changes will not occur for a further 2-3 years.

The 2024/25 settlement is similar 2023/24 in that the overall outcome is determined by the Government's measure of local authority funding, 'Core Spending Power' (CSP). The definition of CSP is best shown via a table setting out the components. Effectively, it takes the sum of the main funding streams and adds in assumed Council tax income. The result is intended to reflect the overall resources available to fund the Council. Increases in CSP should, according to the Government, capture a more rounded picture of the financial position of an authority.

Table 2 shows total Core Spending Power and the yellow is the cash grants from Government within Core Spending Power.

Funding Streams (Unring fenced)	2023/24	2024/25 (provisional)	2023/24 Supporting ongoing revenue budget	2024/25 Supporting ongoing revenue budget	Additional added to fund ongoing budget
	£ms	£ms	£ms	£ms	£ms
Settlement funding assessment	3.71	3.89	3.71	3.89	0.18
Compensation for under indexing the business rates	0.60	0.69	0.60	0.69	0.09
Council Tax Requirement excluding parish precepts	15.22	15.910			
New Homes Bonus	0.94	1.59	0.94	1.59	0.65
Service grant	0.13	0.02	0.13	0.02	-0.11
Funding Guarantee grant	1.97	1.83	1.97	1.83	-0.14
Core spending Power	22.57	23.93	7.35	8.02	0.67
Increase		6.03%			9.12%
Cash funding from Government	7.35	8.02			

The City Council, because of the mechanism for CSP minimum increase guarantee, has seen a cash gain of £0.675m in 2024/25; a 9%% increase. Government settlement provide nationally a minimum of 3%.

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

- A. Business rates – Settlement Funding Assessment – The amount is determined by a needs assessment which includes estimates of local resources such as council tax, population, and other local data. It includes the Revenue Support Grant (RSG) which was a key funding stream prior to 2010. It is fully funded from Business Rates pooled centrally by the Government. The Council collects some £80m of business rates.
- B. Compensation for under-indexing the business rate multiplier (Section 31 Grants) – The complexity of the Business Rates Retention Scheme has led to grants being paid to local authorities for initiatives by Government such as freezing business rates rather than increasing them in line with inflation.
- C. Council Tax Requirement excluding parish precepts – This is not a government grant, but instead the amount of Council Tax the Government assumes the City will generate allowing for a 3% increase in Council tax and their estimate of the 2024/25 Council Tax

base. It should be noted that this is based on the Government's estimate rather than the Council's.

- D. New Homes Bonus – This is a grant paid by central government to local authorities. It aims to reward councils for each additional home added to the council tax base, including newly built properties and conversions as well as long-term empty properties brought back into use, after allowing for certain deductions such as demolitions. An additional sum is paid for each new affordable home built. The scheme, as previously reported, has, over its life, been made less generous. New payments are now only receivable for one year rather than the previous four years.
- E. 2024/25 Services Grant – This is provided to ensure that no local authorities have a reduction in CSP in 2024/25.
- F. Funding Guarantee – This again is to ensure local authorities get at least the minimum increase in CSP of 3%.

Retained Business Rate Growth (Above Baseline Funding)

This is not part of the Core Spending Power calculation. Under this scheme, the Government allows local authorities to share some of the growth in Business rate income in their area. Gains and losses can occur in year but do not impact on the Council's finances for up to 2 years. The actual estimate for business rate income for the following year can only be made in late January each year due to the scheme rules. So, the January Cabinet report and budget has to be based on assumptions for business rate retention. Section 9 has been updated post Cabinet and identifies the revised Business rate retention estimates. The changes post Cabinet are neutralised by transfers to the Business Rate Retention reserve in line with the budget delegations. Section 9. The Government has previously suggested that the scheme would be reset imminently with potential loss of funding.

The estimation of the gains or losses has proven difficult due to the scheme rules and property revaluations for 2024/25. The 2023/24 budget contained a cautious £0.5m of service expenditure funded from the scheme, however monitoring reported to Cabinet suggests that the Council will benefit from an additional income in 2023/24, but this not certain. Any additional income realised at year end 2023/24 above the £0.5m will be retained in the business rate retention reserve. It will provide a contingency for fluctuations in future business rate income. This is essential as the 2024/25 budget proposals assumes that £2.25m of business rate retention is used to support ongoing expenditure. Current estimates suggest that circa £3.6m of business rate retention income is possible for 2024/25, however there is not sufficient certainty to include all of this in the budget. Any changes to income projections will be managed by use of the Business Rate retention Reserve.

Government policy on councils using reserves.

As part of the settlement, the government has also made clear for the second year that it envisages councils using reserves to fund services in the face of cost inflation. The City Council already recognised in its budget planning that, due to the extent of cost increases, it is appropriate and necessary to use reserves in the 2024/25 budget, but only as a temporary measure.

Homelessness Prevention Grant

The grant is ringfenced to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. The Government expects local authorities to use it to deliver the following priorities:

- Embed the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness.
- Reduce the number of families in temporary accommodation by maximising family homelessness prevention.
- Reduce the use of bed and breakfast accommodation for families and eliminate family B&B placements beyond the statutory six-week limit.

At the time of drafting, the Government has not announced final allocations to authorities. It should be noted that, in the last few years, additional grant funding has been announced and provided in-year, outside the normal process. The budget for 2024/25 has allowed for £1.2m of Prevention grant in line with what we have received to date in 2023/24, but an increase over the 2023/24 budget of £311k.

The total Government cash funding increase is £986k, made up of £675k central funding and £311k homeless prevention grant.

Future Funding

The general election means there is little certainty over funding. However, as noted earlier in the report, changes to local authority funding will require consultation and are complex. It seems likely that current funding mechanisms will be used in 2025/26, with increases of circa 2% per year (£160k). However, extra funding remains a possibility.

There remains a risk of the Business Rate Retention scheme being 'reset' by Government, which could result in loss of funding to the budget of £2.25m

Based on current expectations of growth in homelessness costs at the City Council, a more generous funding arrangement for Temporary Accommodation is the most critical change needed.

Section 3 Inflation and Financial Pressures

This section details the main cost pressures identified when creating the 2024/25 budget.

Housing costs

District and unitary Councils have a legal duty to provide housing to those who meet a statutory definition of homelessness. The numbers meeting this definition and the shortage of affordable accommodation means more households are staying in Council-sourced temporary accommodation (TA) for longer periods. The cost of this TA per case is also rising, new cases were in November 2023 costing the Council on average £13k per year.

Table 3
Example of Subsidy Loss Temporary Accommodation one case

	£s
Rent cost of average TA case	£20,020
Less: Housing Benefit funded	<u>-£7,020</u>
Net Annual Average cost to Council	£13,000

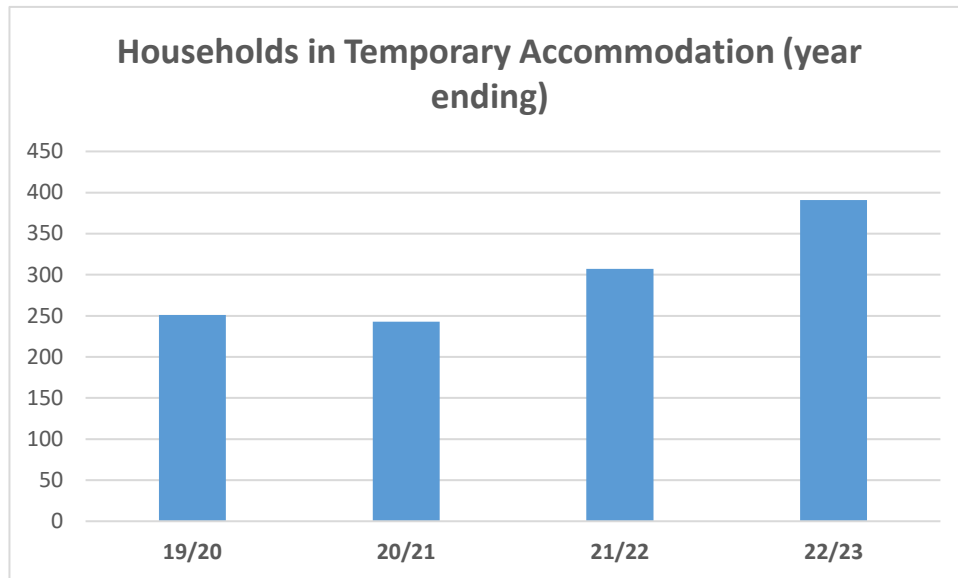
The shortfall in funding is caused by the Government’s policy to fund Temporary accommodation costs using the lowest 30th percentile rents from 2011, known as the Local Housing Allowance (LHA). To make matters worse for Chelmsford, the LHA rate includes areas that are cheaper to rent than Chelmsford, but the City Council is legally obliged to place households in areas where the claimant has a local connection which, in most cases, is not one of those cheaper areas. As case numbers have risen so too have housing rents, so the cost of provision is becoming increasingly unaffordable to the City Council. This financial pressure is being seen in many district and unitary authorities nationally. It is often quoted as a reason that some Councils are facing imminent s114 notices. The cost would be £0.8m lower if the Government funded the Council at current Local Housing Authority rent rates rather than 2011 levels.

Table 4 below identifies £3.7m being added to the 2024/25 budget for homelessness costs. Of the £3.7m, some £1.7m relates to growth in caseload (and cost) in 2023/24 and the balance, £2m, is the expected growth in caseload and cost in 2024/25.

Table 4	
Variation in Housing Services (Temporary Accommodation)	£000s
Case load and Subsidy Loss	3,200
Repairs, bad debts, and other running costs	445
Housing Posts (net of external funding)	75
	3,720

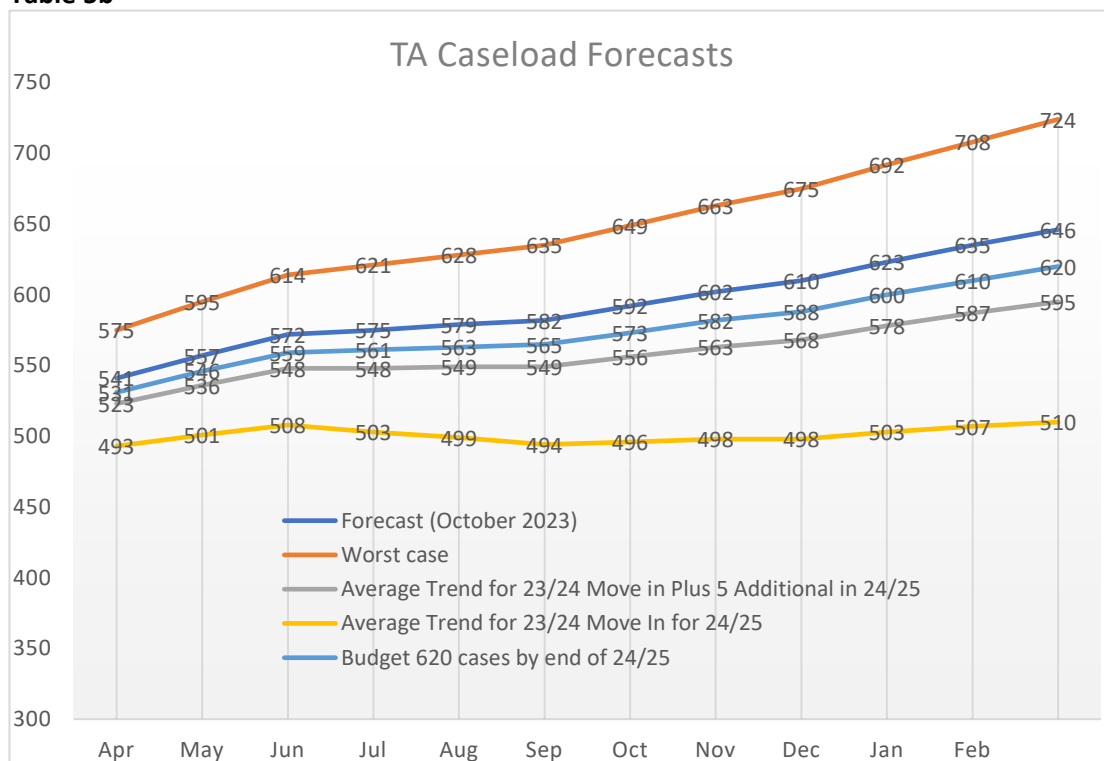
The numbers in temporary accommodation are difficult to predict. Housing officers have made projections based on expected new cases, less assumptions of people being moved into existing social housing and newly constructed social housing, plus allowing for other reasons for people to leave temporary accommodations such as a discharge into private tenancy or the household finding their own accommodation.

Table 5a Actual Households in Temporary Accommodation



The graph below shows the forecast range of outcomes thought likely for 2024/25.

Table 5b



The Budget for homelessness costs has been set on the assumption of an increase from 464 cases at the end of November to 620 by the end of March 2025. This assumption is made using a risk (subjective) assessed projection.

To arrive at the budget for 2024/25, an estimate of cost per Temporary Accommodation case is needed. The largest part of the cost per case is what is known as subsidy loss. As identified in Table 3, the Government does not fund the full cost of housing benefits of residents in TA (specifically properties not owned by the Council). An average rate of £12k for cases has been used in the 2024/25 budget.

There are additional costs of managing TA, which include repair costs in some properties and bad debts on rent and service charge collection. These costs will be higher for TA than normal property management. These budgets have increased by £445k.

The increased pressures on the Housing service also require additional investment in staffing. Some £240k has been added in for new officers, however, some funding which is likely to be temporary from Government reduces the net cost to £75k in 2024/25.

A review of housing processes is currently taking place, which may provide scope for cost reductions later.

There is significant risk that the Housing estimates for 2024/25 and later years will be, in absolute financial terms, inaccurate, but the approaches taken to arrive at the budget are the best available. Given the wide range of possible outcomes, it is theoretically possible for the estimate to be significantly too low or high. Current indications are that the risks are likely to be more favourable than adverse.

Cost Pressures and Inflation

The cost pressures the Council is facing are detailed in **Table 6** below. Narrations on the significant items are set out in the text after the table.

Table 6 Cost Pressures 2024/25 (variations + adverse/-favourable from 2023/24 budget)

	Budget 2024/25 £000s
<u>Variations Cost of Inflation & Cost Pressures</u>	
Pay Inflation 3% (and Members)	1,110
Pay Inflation for 2023/24 (element that is over 2023/24 budget)	386
Other staffing - including increment and grade changes	141
NDR Inflation 6.7%	189
Increased cost of HVO fuel (price increase)	152
Waste and recycling - cost pressures	194
Software licences	142
Housing Benefits Subsidy (non-TA)	120
Legal Recruitment	109
Other Inflation	37
City Growth	64
Housing Standards staffing	90
Parks - cost pressures	48
Benefits Recruitment	50
NDR revaluation transitional change	34
Utilities Budget change (before use of reserves)	-854
Fuel Budget change (before use of reserves)	-280
	1,732

Notes to Cost Pressures Table 6 above

The Council is a complex organisation with many different activities undertaken. Each activity will experience different rates of inflation and demand pressures. For the sake of clarity, only the major cost factors are identified in this budget paper. An explanation of the variances in **Table 6** over £0.1m is below.

- 1) Pay (inflation) Additional Cost:** The Council's largest cost is staff, some £41m per year, so annual pay increases are normally the Council's largest inflationary pressure. In the period 2010/11 to 2021/22 ongoing pay increases have averaged 1.24% per annum whilst inflation (CPI) has averaged 2.09% (RPI 2.99%). This means that pay increased by 15.9% over that period compared to 23.5% for CPI inflation.

The 2022/23 pay award provided staff with increases of between 2.5% and 10%, with the lowest paid getting the largest percentage increases. This came at an additional unbudgeted cost of £1.5m.

The impact of the 2022/23 pay award on those long-term trends is that the average pay increase becomes 1.67% compared to an average CPI inflation of 2.62% (compounded 23.8% pay v 34.6% CPI over the same period).

The City Council 2023/24 pay award was a minimum of £1,425 or 4%, plus a one-off lump sum of either £1,500 for the majority of staff or a lesser payment of £1,000 for those over grade 12 (effectively senior managers and directors). The budget had assumed a 4% average increase, and as a result there is an additional cost of £1.27m one-off and £0.39m ongoing. The higher than anticipated pay award was necessary given that the National Living Wage (NLW) increased by nearly 10% and the national local government pay award was a minimum of £1,925 or 3.88%.

For budgetary purposes a 3% pay award has been assumed, however, the actual pay award will have to take into account the financial pressures faced by the Council together with the prevailing economic climate. It should also be noted that the award is likely to be tiered to allow a higher percentage increase to the lowest paid rather than an across the board percentage increase.

The Council is required to consult with Unison before implementing changes to staff pay and conditions. Additionally, national pay bargaining on behalf of local government workers may influence the outcome of local negotiations. It is therefore proposed that the usual delegation be made to the Chief Executive to agree, after consultation with the Leader of the Council, the pay award for 2024/25.

The cost of staff pay can also increase year-on-year without the annual inflation uplift. The Council operates a grade pay structure, with staff progressing up 4 increments in a pay band for their role. This increment award can create an additional budget increase. Additionally, the regrading of posts, a formal process where staff and managers get job descriptions reassessed to ensure they are on the appropriate grade, can create a cost pressure. For 2024/25, these result in a budget pressure of £141k.
- 2) HVO Fuel Additional Cost.** The Council policy of using low carbon fuel requires paying a premium over diesel. A new contract for fuel which will make the supply of HVO fuel more certain has been entered into by the Council. The additional annual cost of the new contract is £152k. The overall cost of the HVO premium is £260k.
- 3) Waste and Recycling additional cost pressures.** The Council's services face different levels of inflation and cost pressures as they deliver different activities. For waste and recycling, the budgets for fleet maintenance, recycling bins and bags have increased due to significantly higher inflation on those supplies.
- 4) Software licences inflation additional cost.** These are multi-year agreements often linked to inflation.
- 5) Housing Benefits additional cost £120k.** The Council acts on the Government's behalf to process Housing benefit claims and payments. The Council does receive incentives in

certain circumstances and can retain some of recovered overpaid benefits. In 2024/25, the overall change of the is an adverse of £120k.

- 6) **Legal Recruitment** extra cost of £109k per year. There has been difficulty recruiting and retaining legal staff. For the last few years, the service has overspent by hiring interim staff to maintain service delivery. A new structure has been included in the budget that is expected to offer better value for money and will align the budget with actual costs incurred. The additional cost is net £109k after £131k of expected new income.
- 7) **Gas and Electric, saving £854k:** the Council has moved onto a rolling 3 year purchasing contract that should reduce year on year variations in energy costs. Energy has become a major factor in the Council's budget since the start of the war in Ukraine, this is best evidenced in the table below:

Table 7 Energy cost budgets

	Electric £ms	Gas £ms	Total £ms	-reduction /+extra £ms
20/21	0.87	0.27	1.14	
21/22	0.97	0.37	1.34	0.20
22/23	1.66	0.71	2.37	1.03
23/24	2.60	1.32	3.92	1.55
24/25	2.24	0.83	3.07	-0.85

Previous budgets and financial planning assumed continued use in 2024/25 of reserves to support energy costs from an earmarked utility reserve. For 2024/25, the budget now assumes some £0.68k will be drawn from reserves. The Financial forecast for 2025/26 (in section 7) assumes no further use of reserves. This will leave a balance in the utility reserve of £891k to provide some risk management for later years.

- 8) **Vehicle Fuel** reduction in cost £280k. The cost of vehicle fuel is volatile given the current world environment. The Council in the 2023/24 budget established a reserve to manage fluctuations in cost and prevent unnecessary budget reductions needed to fund higher prices. The price of fuel has fallen during 2023/24, vindicating this approach. The budget for 2024/25 reflects current pricing.

Other Costs

There are a number of items of other variations shown below.

Table 8 Variations - Other

	£000s
Contingency	300
T1 Asset software to improve efficiency of asset information/use	133
Director of Sustainable Communities additional cost full time appointment	33
Bank Charges (for payments taken by card)	22
Other	8
	496

A contingency of £300k for additional unplanned expenditure has been placed into the budget for 2024/25 and is funded from reserves. Its use will be via existing supplementary estimate delegations. This is intended to improve the transparency of additional spend approved in the year.

During 2023/24, a supplementary estimate of £133k ongoing was approved for the purchase of new T1 asset management software and for an additional member of staff in digital services to support its implementation and ongoing management.

Table 9 - Variations in One off and Temporary items

	£000s
Elections in 2023/24 removed from 2024/25 budget	-300
Rent Income loss and vacant commercial property costs	1,011
Pension deficiency in 2023/24 removed from 2024/25 budget	-534
Direct Revenue Financing of Capital	316
Other one-off use of reserves	148
Total One off	641

The Council’s financial strategy is to meet one off costs or temporary losses of income from reserves, rather than having to cut services on a short-term basis. This means that, when comparing one year’s budget to the next, one-off factors dropping out such as elections or pension deficiency costs show as spend reductions but are offset elsewhere by less use of reserves, so have no impact on the budget gap for any year. **Table 9** shows the variations in spend on one-off items either dropping out or increasing.

The largest short term adverse variance where reserve use is being recommended in 2024/25 is for vacant commercial property. The loss of rent and void costs (e.g. business rates) are £1,230k in 2024/25. To improve transparency and planning of reserve use, an earmarked reserve is recommended to be established specifically to meet this adverse rent position in 2024/25 and 2025/26. The reserves are discussed in Section 7.

The Council also makes revenue funded contributions to the capital programme. The purpose of this is to reduce borrowing and utilise revenue windfall income in the most effective way. This direct revenue contribution to capital is discussed in Section 6. It is funded from the previously received New Homes Bonus, which has been retained in the Chelmsford Development Reserve.

Much of the “other” reserve variation is funding for temporary posts in property and digital services.

Section 4
Increased Charges, Income and Budget Reductions

Table 10 - Additional Fees and Charges Yield

	£000s
Income from price changes and new charges	-1,629
Planning Charges - increase prescribed by Government	-300
Car Parking Additional Income above budget - more customers	-362
Other Net Income reductions	92
	-2,199

Changes in prices on fees and charges are expected to generate an extra £1.629m in 2024/25. For comparison, a below inflation 3% average increase would have generated some £0.7m. The increased charges are set under delegations and need no further approval. The constitution requires that any changes to fees and charges generating more than £0.2m extra in the budget are identified:

Table 11 Fees and Charges – those generating more than £200k extra in 2024/25

	Average increase (%)	Income generated in total (£000s)
Leisure Income	3-7	390
Car Parks	9.6	480

Budget reductions

The increased costs identified and enhancement to services give rise to a budget gap. To fund some of this shortfall, Directors and Cabinet members have identified cost reductions and income generation plans whose financial impact is shown in **Table 12**.

Table 12 Budget reductions

Nature of Change	Ongoing Saving 24/25 £000s	Post 2025/26 annual Saving £000s
Central Vacancy Factor	-180	-180
Cost saving-Low impact on service provision	-75	-94
Director's hours-reduced capacity	-45	-45
Income Initiative-Low impact on service provision	-253	-253
Income/cost Museum increase commercial activity	-75	-75
Miscellaneous costs-Low impact on service provision	-49	-49
Staff Cost reduction -Low impact on service provision	-267	-267
Grand Total	-944	-963

Section 5 **2024/25 and 2025/26 Service Investment**

This section of the report identifies increases in the 2024/25 and 2025/26 budget which are required to deliver new corporate initiatives, maintain, or improve Council assets, or increase income streams. These investments in services are categorised according to how they are funded.

Revenue Funded Service Investments

There are two types:

- Those that create ongoing costs and must be funded from ongoing financial resources to be sustainable. Examples of sustainable funding streams are statutory sources of income such as Council tax or grants and Council-generated income such as fees and charges or from budget reductions/service efficiencies.
- One-off or temporary enhancements funded using unearmarked reserves or temporary income streams such as one-off grants.

Given the very difficult budget situation, there are no new revenue service investments in this budget.

Capital Investments in Services

Capital Expenditure relates to the acquisition or enhancement of assets which have a useful life of more than 12 months and are charged to the Council's balance sheet. To be an enhancement, the expenditure on the asset must lengthen substantially the useful life of the asset, increase substantially its open market value, or increase substantially the extent to which the Council can use the asset.

Local Authorities can, under statute, also fund grants to other bodies or individuals from capital resources if they meet the definition of capital. Such items are referred to in the capital programme as REFCUS (Revenue Expenditure Funded by Capital Under Statute). Additionally, the Government can, on an individual basis, grant permission to capitalise non-capital costs such as redundancy.

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.

Approval of New Capital Schemes

Table 13 shows the new capital schemes budgets for which approval is sought and **Table 13a** provides an indication of the impact of the proposals on the revenue budgets.

The impact of the new schemes (**Table 13a**) is forecast as an additional net revenue cost of £121k per year. The overall ongoing cost of financing the capital programme is shown in Section 6. However, the programme and costs will be continuously reviewed in 2024/25 to continually assess affordability and prioritisation.

Table 13

CAPITAL PROGRAMME - New Schemes Identified for Approval								
	Spend Details	2023/24	2024/25	2025/26	2026/27	2027/28	Later Yrs	Total Spend
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
	New Schemes (see table 5 narrative for details)							
1	Theatres' Ultra Short Throw and Long Lens		17					17
2*	Visteon Refurbishment		795					795
3	High Chelmer Multi Storey Car Pk Red Walkway Health & Safety Works		14					14
4	Chelmer Park Enhanced Flood Light System		37					37
5	Fairfield Road Car Park Resurfacing and Re-lining		84					84
6	High Chelmer Multi Storey Car Park Improvement Works		148					148
7	High Chelmer Multi Storey Car Park Waterproofing Levels 11,12,13		850					850
8	Housing Grant to Chess		350					350
9	Civic Centre Ventilation and Roof Works		30					30
10	Hylands House Footpath and Car Park Improved Lighting Scheme			38				38
11	Oaklands Museum Roof Works			63				63
12	Retail Market Canopy Roof Liquid System			90				90
13	South Woodham Ferrers Pool Energy Initiatives and Maintenance Works		335					335
	Sub Total	0	2,660	191	0	0	0	2,851

		2023/24	2024/25	2025/26	2026/27	2027/28	Later	Total
	Funding Details						Later Yrs	Spend
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
	<u>Previously Approved Capital Budget</u>							
7	Capital Budget Previously Approved HCMSCP Decking		-500					-500
14	Capital Budget Previously Approved SWF Pool		-68					-68
	<u>Funding From Revenue</u>							
2	Funding from feasibility reserve - Visteon		-75					-75
	<u>Potential Funding</u>							
2	Contribution from Delapidations Deposit Money Held		-250					-250
5,6	Contribution from South Essex Parking Partnership		-232					-232
13	Sport England Funding South Woodham Ferrers		-267					-267
	Total of New Scheme Proposals After Funding Applied	0	1,268	191	0	0	0	1,459

Any additional funding from the Community Infrastructure Levy (CIL) or SI06 that is subsequently identified will be applied and reported at outturn in July 2024.

*Schemes where Delegation Required for Cabinet/Officers to Spend Once Business Cases Received

Table 13A

CAPITAL PROGRAMME - New Schemes Identified for Approval - Revenue Impact of Scheme																Estimated Ongoing Impact on Revenue Budgets at Scheme Completion		
		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		MRP & Int	Income From Proposal	Ongoing Net Impact		
		Net Capital Cost	MRP	Interest	MRP	Interest	MRP	Interest	MRP	Interest	MRP	Interest	MRP	Interest	£000s	£000s	£000s	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
1	Theatres' Ultra Short Throw and Long Lens	17			1	1	1	1	1	1	1	1	1	1	2	-3	-1	
2	Visteon Refurbishment	470					38	20	40	18	42	16	44	14	58		58	
3	High Chelmer Multi Storey Car Pk Red Walkway Health & Safety Works	14					1	1	1	1	1	1	1	1	2		2	
4	Chelmer Park Enhanced Flood Light System	37					3	2	3	2	4	1	4	1	5	-8	-3	
5	Fairfield Road Car Park Resurfacing and Re-lining	0													0		0	
6	HCMSCP Improvement Wks	0													0		0	
7	HCMSCP Waterproofing Levels 11, 12, 13	350					29	14	30	13	31	12	33	10	43		43	
8	Housing Grant to Chess	350					3	16	3	16	3	16	3	16	19	-19	0	
9	Civic Centre Ventilation and Roof Works	30					3	1	3	1	3	1	3	1	4		4	
10	Hylands House Footpath and Car Park Lighting	38							2	1	2	1	2	1	3		3	
11	Oaklands Museum Roof Works	63							5	3	6	2	6	2	8		8	
12	Retail Market Canopy Roof Liquid System	90							3	4	3	4	3	4	7		7	
13	SWF Pool Energy Initiatives and Maint. Wks	0													0		0	
Total		1,459	0	0	1	1	78	55	91	60	96	55	100	51	151.0	-30	121	
Total Financing Costs			0		2		133		151		151		151				121	
Notes																		
1	The Minimum Revenue Provision (MRP) and interest has been calculated using the estimated life of the asset and PWLB borrowing rates as at 31/03/2023																	
	MRP is charged in the year following either the completion of a scheme or the year in which the expenditure is incurred.																	
2	Actual financing costs will vary depending on prevailing interest rates																	

Table 13b – New Capital Proposals Narratives

Scheme Proposals to Commence in 2024/25

1. Theatres Ultra Short Throw and Long Lens Enhancement £17k

Purchasing these two lenses will allow the service to increase the professionalism of local hirers' performances, meet the requirements for more touring shows, and develop the artistic offer including the annual pantomime for the community. Income will increase by £3k per annum. Overall, this would be a net saving to revenue circa £1k per year.

It is requested that delegated authority is given to the Director of Connected Chelmsford to spend within the approved budgets.

2. Investment Property Visteon-Works Required Prior to Re-letting £795k including a request for £75k Feasibility Budget

This property is let on commercial terms by the City Council. The income helps to fund the services provided by the Council. The property will become vacant in June 2024 and the Council will need to seek new tenants to maintain the income. The advice from the Service Manager is that it will be difficult to re-let the building in its current condition and layout. Refurbishment works are needed prior to re-letting. It is estimated that following completion of the works the building will be fully let from January 2027. The current annual income is £727k.

To assess an accurate cost for the works it is requested that a £75k budget for feasibility works is approved. The feasibility will be undertaken between June and November 2024 with the works commencing in January 2025. The scheme cost budget carries a significant risk of revision and requires further approval once the business case is completed.

Delegation to Cabinet to approve the business case.

3. HCMSCP Red Walkway Health and Safety Works £14k

Chelmsford Retail Market - Internal Walkway from the Car Park Lift Lobby to Cornhill: it is proposed to apply resin coating to the walkway for safety reasons. This will improve the hygiene of the area and provide a safer walkway for pedestrians. The condition of the existing concrete surface is not good and tends to crack and spall in places causing trip hazards. The resin will provide a long-term solution. If nothing is done the condition of the concrete floor will continue to deteriorate and become more difficult and costly to maintain and keep clean. There is also a risk that someone may trip and fall.

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets.

4. Chelmer Park Floodlight Replacement £37k

It is proposed to replace the lamps which are reaching end of life with modern LED lamps which will improve overall energy consumption and to also introduce a new system of lighting which would allow light output to be varied dependent of the type of use (i.e. higher levels of LUX are required for hockey but lower levels for football training) to achieve further energy savings. Options to be reviewed for potential use of CIL/S106 or ringfenced Green Initiatives Funding.

Net Carbon Zero – LED lighting and lower usage. It is difficult to quantify the reduction in energy use but up to 60% can be expected (£7,800 cost reduction from the current 50.4KW to 20.1KW).

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets.

5. Fairfield Road Car Park Resurfacing and Relining £84k.

The main objective is to make the car park surface safer for car park customers and the general public to use. The current surface is in a poor state and the Council is receiving many enquiries about what action it intends to take, particularly whilst the car park is used by a high number of visitors. There is a further danger that during the winter months water filled potholes may become icy or hidden by snow, making a potential safety hazard. Further erosion will occur in damaged sections without the works.

These works are fully funded by a contribution from the South Essex Parking Partnership (SEPP), so no capital or revenue cost to the Council.

It is requested that delegated authority is given to the Director of Sustainable Communities to spend within the approved budgets.

6. High Chelmer Multi Storey Car Park (HCMSCP) Improvement Works £148k

This proposal is for the Refurbishment of the Stairwells, Lift Lobbies & Walkway. The improvement works required include updating lighting to LED and updating and reinstating signage etc. Energy savings from improvements to the building's infrastructure will also assist with reducing expenditure.

These works are fully funded by a contribution from the South Essex Parking Partnership (SEPP), so no capital or revenue cost to the Council.

Net Carbon Zero – introduction of LED lighting.

It is requested that delegated authority is given to the Director of Sustainable Communities to spend within the approved budgets.

7. HCMSCP Deck Waterproofing Decks 11, 12, 13 Total Cost £850k.

This bid was originally approved by Council in February 2023 and scheduled to be carried out in 2025/26. It has now become apparent that it is necessary to bring this scheme forward to 2024/25 as the water penetration and damage to the anti-carbonisation coating to the deck soffits is getting worse. Given the form of construction (Concrete Frame), it is vital that preventative maintenance to this type of structure is carried out to avoid any defects from appearing on all levels which could potentially affect the structural stability of the car park. Latest quotes for the works also indicate that the budget will need to be increased from £500k to £850k.

It is expected that no loss of custom overall will occur during the works.

Additionally, following a recent condition survey, urgent remedial repairs will need to be carried out in 2023/24 at a cost of £51k to lower levels 1 to 9. The £51k will be funded from revenue.

It is requested that delegated authority is given to the Director of Sustainable Communities to spend within the approved budgets.

8. Housing Grant £350k

A proposal has been received from CHESS to replace 9 motel bedspaces on a site they own with 24 modular units for vulnerable single homeless people who need support to avoid risk of repeat homelessness. Following a Strategic Gap analysis, requested and funded by DLUHC and Homes England as part of the Single Homelessness Accommodation Programme (SHAP) Homes England, a requirement has been identified for this type of housing. No other providers have come forward to address the needs identified in the Gap Analysis. The proposed development would provide a more affordable source of temporary accommodation with dedicated support avoiding the use of less suitable B&B and nightly lets which is not suitable for single people often with complex needs. This would provide additional supported housing with nomination rights for the Council that could be used as an alternative to council provided temporary accommodation which is needed to meet our statutory housing duties. Homes England and DLUHC would not consider meeting all the scheme costs and CHESS would not be able to raise the level of charitable contributions required to meet the cost of the development in the foreseeable future. The request is for the Council to grant £350,000 to CHESS if their funding bid to Homes England is successful. CHESS are being supported by the Council's Housing Service with their bids for £1.5m capital grant from Homes England and £2.5m revenue grant from DLUHC (to cover the period from 2025/26 to 2027/28).

Revenue savings are expected from Temporary accommodation which will offset the Council's cost of funding the scheme. The timing of the scheme will not impact on the 2024/25 revenue budget.

Net Carbon Zero – any new development on the site would have a positive impact reducing carbon and energy use in design of new buildings.

It is requested that delegated authority is given to the Director of Sustainable Communities to spend within the approved budgets. The Director is also requested to review as the scheme develops whether there is S106 funding which can be used towards the cost of the scheme.

9. Civic Centre Ventilation and Roof Works £30k

Replace damaged thermal insulation and weatherproofing to the air handling ductwork located on the Council Chamber roof and behind the customer services area. The weatherproofing has failed, and water has penetrated the thermal insulation, which will then cause corrosion of the metal ductwork. There is a health and safety risk of the weatherproofing and thermal insulation eventually falling off the ductwork which could create a hazard if blown from the building during high winds.

Net Carbon Zero - the work will reinstate the correct level of thermal insulation to the systems and reduce the amount of energy used by the air conditioning units to cool/heat the council chamber and increase the efficiency of the old library building basement supply air handling unit.

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets.

Scheme Proposals to Commence in 2025/26

10. Hylands House and Car Park Improved Lighting Scheme £38k.

The proposal is to install an increased number of higher lighting posts in the main car park to ensure the car park and pathways to the house are better lit. The current lights are not fit for purpose. The light fittings get waterlogged and are always breaking causing large areas of lighting to not work for weeks at a time. This should result in zero complaints and a saving on contractor call outs.

Net Carbon Zero – LED lighting to be installed which are more sustainable and will have to be replaced less frequently.

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets.

11. Oaklands Museum Roof Safety Works Victorian House £63k

Although not a statutory requirement, the works are recommended for health and safety reasons. Replacement of rainwater goods, removal of gutter sections to the gable end bargeboards, and installation of snow guards to the eaves of the pitched slate roofs to prevent slipped slates from falling.

There is a risk that slipped/damaged slates could fall from the roof causing injury. There have been problems with the existing gutters leaking, and a section of gutter to one of the gable end bargeboards has previously come loose, but fortunately did not fall from the roof.

It is requested that delegated authority is given to the Director of Connected Chelmsford to spend within the approved budgets.

12. Retail Market Canopy Roof Liquid System £90k

Application of Liquid Waterproofing System to whole length of Retail Market Canopy due to the poor condition of existing Bitumen mineral asphalt covering. This waterproofing will provide a service life of approximately 20 years. Currently there are several areas that have water ingress which causes operational issues within the market and may affect future rental income.

Net Carbon Zero - A liquid waterproofing system requires less materials than a traditional strip up and replacement of Bitumen Felt. This means that the “embodied carbon” of the proposal is much lower than the traditional process.

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets.

13. South Woodham Ferrers Pool Energy Initiatives and Maintenance £335k

A scheme was previously approved for SWF pool and was scheduled to be implemented in 2024/25. The approved budget is £275k and was for various works which included replacing the boiler and retiling the pool. To carry out the works, the pool would need to close with a resulting loss of income. Following an earlier review of the capital programme, it had been agreed to defer this project to 2025/26.

Since this bid was approved, the service has been investigating the most effective route to achieve the Council's objective of achieving the Net Zero target by 2030. The existing approved £275k budget is not sufficient to carry out the proposal of upgrading the gas fired boilers to an alternative Air Source Heat Pump scheme (ASHP), and the running costs of the ASHP option are likely to be much higher.

It was agreed that an approach would be made to APSE (Association for Public Service Excellence) for a feasibility to be undertaken to assess the suitability of the site for an ASHP. If the site was not suitable then the service could continue with the original more viable and economic solution of the Solar Thermal and upgraded gas fired boilers which would still deliver carbon savings.

An opportunity has recently arisen for the service to make an application to Sport England for grant funding to implement a scheme to improve energy initiatives. £267k has been applied for which would cover the cost of upgrading the existing boiler as originally planned and some other energy initiatives. The grant will need to be spent by March 2025 and therefore the work will need to be scheduled in 2024/25. As the pool will need to close for the boiler replacement, it would be sensible to also schedule the works included in the original bid at the same time and a total budget of £335k will be required.

If the grant application is unsuccessful, the service would like to progress with some 'quick win' energy initiatives which would cost in the region of £50k and would not require the closure of the pool and to continue to defer the works from the original bid to 2025/26.

Net Carbon Zero – More efficient heating and plant.

It is requested that following the outcome of the funding application, delegated authority is given to the Director of Public Places who, after consultation with the Cabinet Member for Active, will agree a scheme and spend within the approved budgets. The Director is also requested to review whether there is any S106 or CIL funding which can be used towards the cost of the scheme if the Sport England funding is unsuccessful.

Section 6

The impact of Capital Expenditure on the Revenue Budget

The Council is required by statute to produce a Capital Strategy each year, which is reported to Council in a separate report to the budget but at the same time as the budget. It 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. This section of the budget provides a summary of the impact of capital and capital financing on the 2024/25 budget.

The Council's capital programme is shown in **Section 5 (Table 13, 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 resources used to finance the Council's capital programme are always estimated as part of the budget process but only finalised at financial year-end. The actual methods of financing 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 Council will only undertake capital investment in support of its priorities and where it supports asset maintenance, invest-to-save schemes, or strategic intent (such as the provision of affordable housing or Climate Emergency initiatives). Capital spending plans, whether funded from internal resources or through borrowing, will be affordable, prudent, and sustainable.

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. Direct Revenue Financing of capital schemes. An expenditure line in the Council's Revenue budget which in effect funds capital expenditure.
 - B. Borrowing costs. Interest and principal repayments (Minimum Revenue Provision (MRP)) are a revenue cost.
 - C. Aborted Schemes. Feasibility or design works on schemes that are aborted are revenue costs. Any such costs funded from capital, capital grants or borrowing will need to be charged to revenue resources. This is a requirement under government accounting practice. This will have detrimental impact on reserves so needs to be avoided.

A. Direct Revenue Financing of capital schemes

The revenue budget for 2024/25 contains contributions from revenue reserves to fund capital (direct revenue financing of capital), however there is no ongoing funding source for these contributions. The contributions are being funded from reserves which contain prior year allocations of New Homes Bonus.

B. 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 will either have to

internally borrow against any 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 of the charge is either 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 revenue 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 revenue cost of borrowing for the replacement programme, the MRP we charge to revenue, is significantly higher compared to borrowing, for say, land.

Historically, the Council has borrowed internally from the cash it held. Significant sums of the funds we internally borrow come from the Community Infrastructure Levy (CIL) collected from developers and held by the Council until it is spent on qualifying projects. As the unspent CIL is forecast to be used on schemes in 2024/25 and 2025/26, the Council will need to borrow externally.

Any interest earned by the Council on new CIL receipts from 2024/25 onwards will be set aside in the Chelmsford Development Reserve to fund Direct Revenue contributions to capital in future. Current practice has been to use interest on any cash-backed CIL to support the revenue budget. This change means that, when CIL is spent, there will be no impact on ongoing service funding as all that will happen is the contribution to the Chelmsford Development Reserve will reduce/cease.

There is an additional risk with external borrowing as the financing costs of any loan are linked to interest rate changes. The current environment of increased interest rates makes borrowing costs higher than they would have been in previous years and puts further pressure on the financing costs that the Council will have to manage. Interest rates are expected to fall over the next 2 years, this has been allowed for in the revenue estimates.

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 higher CIL receipts. This means that there is the possibility of MRP, and interest costs could be less than those shown.

The MRP charge is made to revenue budgets for capital schemes funded from borrowing in either the year after the expenditure is incurred or the year after the asset is complete or becomes operational.

Table 14

Internal and External Borrowing Combined	2022/23	2023/24	2024/25	2025/26	2026/27
	£ms	£ms	£ms	£ms	£ms
Opening Balance as at 31/3/2022	18.898				
New Annual Borrowing (Includes Finance Leases)		17.059	4.690	15.312	7.545
Less MRP Repaid		-0.595	-0.694	-1.139	-1.788
Cumulative	18.898	35.362	39.358	53.531	59.288
					62.317

The increase in borrowing in 2024/25 of £15m, is mostly caused by the following:
Housing Initiatives – schemes to be agreed and will be self-financing £7.4m
Replacements £2.9m
Maintenance Existing Property Assets £2.1m
Purchase of assets for future developments of sites £1.5m

Table 14a

Breakdown MRP Repaid	2022/23	2023/24	2024/25	2025/26	2026/27
	£ms	£ms	£ms	£ms	£ms
Capital Schemes Approved	0.282	0.408	0.520	0.714	0.822
Capital Scheme New Proposals				0.085	0.099
Capital Schemes MRP	0.282	0.408	0.520	0.799	0.921
Capital Replacements life less than 10 years				0.365	1.005
Capital Replacements Finance Leases	0.313	0.286	0.619	0.624	0.635
Capital Replacements MRP	0.313	0.286	0.619	0.989	1.640
Total MRP Repaid in Year	0.595	0.694	1.139	1.788	2.561

The table above is debt repayment (MRP) split into the cost of funding capital schemes and the replacement programme (equipment and vehicles). From 2024/25 onwards, the cost of repaying debt on replacement items becomes the dominant part of the cost. The rising cost of the MRP replacement programme is both good and bad news. It is a positive development as it means the replacement programme is increasingly funded from ongoing contributions, but of course also means the cost of the capital programme will continue to rise until the replacement programme is fully funded from borrowing, likely to be circa 2030.

The table below shows how the financing costs must also be placed in the context of income gains from some of the schemes.

Table 15

Budgeted Net Revenue Costs Changes- financing costs of Capital Programme	2023/24	2024/25	2025/26	2026/27
	£ms	£ms	£ms	£ms
Estimate Interest Income	-1.29	-1.01	-0.73	-0.59
Estimated Interest Costs	0.02	0.86	1.36	1.00
Estimated MRP Scheme and Leases	1.28	1.14	1.79	2.56
Net revenue cost of financing capital	0.01	0.99	2.42	2.97
Financing costs less				
Income gain from New scheme proposals	0.00	0.00	-0.02	-0.02
Income gain from Existing schemes		-0.01	-0.08	-0.08
Net financing cost after scheme benefits	0.01	0.98	2.32	2.87
Change Year on Year		0.97	1.34	0.55

The need to borrow will change by prioritisation and approval of capital schemes. Another key factor will be the level of Community Infrastructure Levy (CIL) receivable by the Council in future. The current balance and expected receipts are shown below and have been used when planning the budget:

Table 16 Strategic CIL table

		2023/24	2024/25	2025/26	2026/27
	£ms	£ms	£ms	£ms	£ms
Balance as at 31/3/2023	-22.7				
Forecast CIL Receipts to be received		-0.5	-3.0	-12.7	-18.6
CIL Receipts Committed to Capital Schemes		3.3	22.3	4.4	7.8
Cumulative CIL Balance	-22.7	-19.9	-0.5	-8.8	-19.6

Affordability of the current capital programme was reassessed as part of this budget cycle. All new bids and existing approved schemes were considered as part of the overall programme. Some larger schemes that we were able to delay or put on hold have been removed from the approved programme and included on an Aspirational list (shown within the capital strategy) until they are a priority for the Council or funding becomes available to make them affordable. As aspirational schemes are still subject to approval, they are not included in the budgeted costs. In some instances, CIL funding previously allocated to schemes that are now on the aspirational list became available to fund other, more strategically important projects, such as Chelmer Waterside, reducing the need to borrow and consequently the financing costs of that borrowing.

The impact of inflation on capital projects has been previously identified as an issue. There will continue to be a need to reassess the costs and benefits of projects prior to their start. The impact of higher scheme costs will feed through into higher MRP and interest charges on the revenue budget. The inclusion of a scheme in the capital programme does not mean it will take place as affordability remains a key consideration. Scheme costs and outcomes must be reviewed before committing to any spend.

It is important to note when considering the rising cost of financing the capital programme: as a result of the difficulty of balancing the budget over the last decade, for reasons such as reduced Government funding and the impact of the pandemic, the Council took the decision in 2021/22 budget to cease making an annual £1.7m revenue contribution to the capital programme via a Future Asset Replacement Reserve (ARR). This contribution was used to fund replacement vehicles, plant, and equipment. Ceasing the contribution released a £1.7m saving to revenue in 2021/22. This decision recognised that in future borrowing would rise (internal and external) to fund replacement items and therefore MRP costs would increase over time by at least £1.7m. A significant part of the increased MRP going forward is not a new burden, but a gradual reinstatement of known existing replacement programme costs.

Additionally, New Homes Bonus (NHB) prior to the 2023/24 budget was contributed to the Chelmsford Development Reserve and then used to fund capital expenditure. The very challenging budget position has required that, in 2023/24 and onwards, NHB is now used to support the ongoing revenue budget. The capital programme has been reduced, but the loss of NHB contribution to capital does mean higher MRP costs going forward.

In the current budget proposals, Business Rate Retention (BRR) income is now fully used to support the revenue budget. Previously taken as windfall income the BRR would either offset service overspends in year or have been used to fund capital.

The revenue forecast in **Section 7** includes the cost of the proposed Capital Programme.

C. Aborted Schemes Feasibility or Design Works

The Council can charge feasibility and design works to capital resources only when a scheme results in the creation of an asset. Should a scheme not continue to completion, any costs charged to capital would be required under Government accounting practice to be charged to revenue.

The risk of costs falling on revenue increases when the Council undertakes schemes with partners or where the scheme is only viable due to external funding. In these circumstances, the Council may find it cannot continue with a scheme for reasons beyond its control.

Given the significant size of the capital programme, this risk can be managed by maintaining an earmarked reserve to alleviate the consequences, which is detailed in **Section 7**.

Any costs that no longer meet the definition of capital so have to be charged to revenue will be dealt with as part of financial year end and reported to the Audit & Risk committee.

Section 7 Budget Forecast & Reserves

Revenue Budget Forecast

A forecast of capital expenditure and resources is contained in the Capital Strategy, in line with statutory requirements, that has been reflected in the revenue forecast in this section. The latest revenue forecast is shown below. The revenue forecast should be used with the budget (including Reserves and Council tax) when decisions are made regarding what is affordable and sustainable.

Table 17

Budget Gap - Changes from Preceding Year	Forecast 2025/26 £000s	Forecast 2026/27 £000s	Forecast 2027/28 £000s	Forecast 2028/29 £000s
Cost of Inflation & Cost Pressures				
Pay Inflation 3% (and Members).	1,200	1,236	1,273	1,311
Other staffing- including increment and grade changes	100	100	100	100
NDR Inflation 2%	60	60	60	60
Other Inflation	70	70	70	70
City Growth	127	180	180	180
	1,557	1,646	1,683	1,721
Additional Fees and Charges Yield				
Income from Price changes and new charges (25/26 onwards 3%)	-790	-810	-834	-859
	-790	-810	-834	-859
Housing Temporary Accommodation				
Case load and Subsidy Loss	1,250	1,250	1,250	1,250
Repairs, bad debts and other running costs (indicative cost)	100	100	100	100
Housing Posts (remove funding)	160			
	1,510	1,350	1,350	1,350
Growth				
Growth Provision -revenue	300	300	300	300
Growth - new capital scheme allowance	150	150	150	150
	450	450	450	450
One off /Temporary (to be met from Reserves)				
Elections			305	-305
Rent Income and vacant costs	-192	-834	-205	0
Pension deficiency in 2023/24 removed from 2024/25 budget		534	-534	
Direct Revenue Financing	-247	3	621	-693
Local Development framework spend	25	-170	20	25
Other one off items	-244			
Total One off	-658	-467	207	-973
Net Capital Financing				
	1,371	547	400	500
Budget Gap before Funding	3,440	2,716	3,256	2,189
Funding Available to Meet Gap				
Savings and Efficiencies	-19	0	0	0
Business Rate Retention -estimated higher income	0	0	0	0
Assumed higher Government funding				
Government Funding 2% cash increase assumed	-156	-160	-160	-160
Council Taxbase and increase 3%.	-644	-658	-672	-687
Council Tax deficit or Surplus	-156	0	0	0
Reserve Use changes	2,819	406	-196	839
Annualised Budget Gap forecast	5,284	2,304	2,228	2,181
Deficit CFWD (if not Balanced)		5,284	7,588	9,816
Net Gap If prior year not balanced	5,284	7,588	9,816	11,997

The forecast budget deficit for 2025/26 is £1.11m higher due to the use of reserves in 2024/25 budget gap.

The budget gaps are significant and, in summary, can be said to arise from:

- After pay, Homelessness costs are the largest factor. The numbers in TA are forecast to increase by 96 year-on-year with resulting increase in cost at £13k per case of £1.248m.
- Assumed 2% government funding increases.
- Energy prices do not decline from 2024/25 rates and use of reserves to fund energy costs is withdrawn over 2024/25 (£768k) and in 2025/26.
- Provision for growth in the demand for services such as refuse, parks, and street cleaning £177k, and housing services £248k, plus annual allowance of £300k for service improvements.
- Assumed tax base growth is 800 properties per year which would generate £177k of additional income in 2024-25; insufficient to pay for increased service demands. Council tax is forecast to increase by 3% per year but is subject to government regulations on increases allowable.
- Higher capital financing costs reflecting replacement programme and capital schemes commitments.

It has been clearly evidenced by events over the last few years that the forecasts are fallible and that the financial strategy must manage the unexpected. **Section 8** identifies the view of the S151 officer regarding the approach needed to manage these risks.

A potential positive factor which the Council has no control over is the level of Government funding. Though currently the Government seems to imply it will not provide additional funding above 2%, given the large numbers of local authorities reporting significant financial difficulties, this looks untenable unless the Government provides clear guidance on what services the Council should provide if lower real terms funding is the norm moving forward.

Another positive factor that will affect future years is the development of the Waterside site. No income from capital receipts or revenue income has currently been allowed for in the forecasts but the costs of the infrastructure have.

Reserves – 2024/25 Original Budget and Forecast.

The Reserves are intended to be used in the following circumstances:

- To fund planned one-off expenditure/loss of income
- The need to protect against unbudgeted risks, for example:
 - Business Rate retention timing difference or reduced business rate income
 - Temporary falls in income
 - Homelessness and other demand-led costs

For 2024/25, £1.11m of General balance is being used to support ongoing expenditure. As stated earlier in the report, this is a temporary measure and solutions to move to a more sustainable financial position will be developed for 2025/26.

Table 18 – Reserve Use (excludes transfers between reserves)

	Budget 2024/25 £000s	Forecast 2025/26 £000s	Forecast 2026/27 £000s	Forecast 2027/28 £000s	Forecast 2028/29 £000s
-Use of Reserves /+contribution to					
Use of deficiency reserve	0	0	-534	0	0
Supplementary estimate Reserve	-300	-300	-300	-300	-300
Project Evaluation Reserve	0	0	0	0	0
Property reserve	50	50	50	50	50
Infrastructure reserve	0	0	0	0	0
Chelmsford development reserve	-257	115	51	-559	0
Fuel reserve	-25	0	0	0	0
Cultural reserve	0	0	0	0	0
DPO Reserve	-8	0	0	0	0
Energy reserve	-682	0	0	0	0
Growth fund	0	0	0	0	0
Local Plan Fund	-225	-250	-80	-100	-125
Property reserve	-1,231	-1,039	-205	0	0
Insurance Reserve	-50	0	0	0	0
General Balance	-1,515	0	0	-305	0
Use of reserves in year	-4,243	-1,424	-1,018	-1,214	-375
Variation from preceding year	-1,012	2,819	406	-196	839

There are several positive and negative factors that could influence the level of reserves, and these are discussed in **Section 8**. The Council should target a level of approximately £9m of unearmarked reserves, whilst recognising that the level of balances will fluctuate over time as it adjusts to short-term pressures in the revenue budget. **Section 8** identifies the issues that the S151 Officer considers when setting the target.

As well as the use of reserves, the balance of a reserve does fluctuate when money is transferred between reserves as part of the budget.

The table does not include transfers between reserves.

A forecast of the reserves allowing for the use and transfers proposed for 2024/25 and future years is shown in **Table 19** at the end of this section. It also identifies the purpose of each reserve and any delegation for their use.

Table 19

	2023/24 Budget (plus forecast)				2024/25 (Draft Budget)				2025/26 (Forecast)				2026/27 (Forecast)					
	£000s	Original £000s	Forecast adj. £000s	Budget Transfers £000s	£000s	£000s	Transfers £000s	-Use/ contribution £000s	£000s	£000s	£000s	Transfers £000	-Use/ contribution £000s	£000s	£000s	Transfers £000	-Use/ contribution £000s	£000s
Earmarked																		
Corporate Investment																		
Cultural Support 'Fund'	92	-35		57	57			57	57			57			57			57
Local Development Framework	1,034	-200		388	1,222		-225	997	997		-250	747		-80	667			667
Growth fund	19			-19	0			0	0			0			0			0
Carry forwards & Supplementary estimate Reserve	146		-346	200	0	300	-300	0	0	300	-300	0		0	300	-300		0
Housing Initiatives	150			-150	0			0	0			0			0			0
DPO Reserve	79			-71	8		-8	0	0			0			0			0
Hylands House Reserve	3			3	3			3	3			3			3			3
Master Plan Income	65			-65	0			0	0			0			0			0
	1,588	-235	-346	283	1,290	300	-533	1,057	1,057	300	-550	807	807	300	-380	727		
Capital Programme																		
Project Evaluation Resrve	285		-72	213	213	37		250	250			250			250			250
Sinking Fund for let property	0	50		50	50		50	100	100		50	150		50	200			200
Infrastructure fund	1,258		-699	559	559			559	559			559			559			559
Chelmsford development	2,959		-2,309	650	650		-257	393	393		115	508		51	559			559
	4,502	50	-3,080	0	1,472	37	-207	1,302	1,302	0	165	1,467	1,467	0	101	1,568		
Risk Management																		
Insurance	910	-50		860	860		-50	810	810			810			810			810
Pension deficiency	2,245	-534		1,056	1,056	183		1,239	1,239		1,239	1,239		-534	705			705
Park and Ride	229			229	229			229	229			229			229			229
Vehicle Fuel Reserve	0	-304	304	604	604	-280	-25	299	299			299			299			299
Uility Costs Reserves	0	-1,535	805	2,303	1,573		-682	891	891			891			891			891
New: rent income (temporary loss of tenant)	0			0	0	2,475	-1,231	1,244	1,244		-1,039	205		205	-205			0
	3,384	-2,423	1,109	2,252	4,322	2,378	-1,988	4,712	4,712	0	-1,039	3,673	3,673	0	-739	2,934		
Total Earmarked Reserves	9,474	-2,608	-2,317	2,535	7,084	2,715	-2,728	7,071	7,071	300	-1,424	5,947	5,947	300	-1,018	5,229		
Unearmarked																		
General Fund & Contingency	19,428	-624	-2,432	-2,535	13,837	-2,715	-1,515	9,607	9,607	-300	9,307	9,307	9,307	-300	9,007			9,007
Recommended level £9m																		
	19,428	-624	-2,432	-2,535	13,837	-2,715	-1,515	9,607	9,607	-300	0	9,307	9,307	-300	0	9,007		
Total reserves	28,902	-3,232	-4,749	0	20,921	0	-4,243	16,678	16,678	0	-1,424	15,254	15,254	0	-1,018	14,236		
Not Available to Support Spend, until financial year end when the actual position is determined.																		
Business Retention reserve	805	2,304	2,653	5,762	5,762		-5	5,757	5,757		5,757	5,757	5,757		5,757			5,757

The Reserves projection for 2028/29 is Unearmarked reserves to decline to circa £8m due to the use of reserve to fund supplementary estimates in that year.

Reserves	Purpose	Delegation
Cultural Support 'Fund' Chelmsford development	To contribute to Cultural Services costs To support the ongoing development of the Chelmsford City area.	Relevant Director & Cabinet member Section 151 & cabinet member for a Fairer Chelmsford
Infrastructure Provision	To manage the risk of Capital costs becoming chargeable to revenue	Section 151 & cabinet member for a Fairer Chelmsford
Growth fund	Funding Held for Strategic Planning issues	Relevant Director & Cabinet member
Insurance	To meet losses and policy excesses where more appropriate to insure internally than externally.	Relevant Director & Cabinet member
Local Development Framework	To meet expenditure on the LDF	Relevant Director & Cabinet member
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
Hylands House Reserve	To contribute to Hylands House and Estate costs	Relevant Director & Cabinet member
Housing Initiatives	To establish funding to undertake initial stages of projects that may not be capital costs.	Section 151 & Cabinet member
DPO Reserve	The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process	Chief Executive
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
Carry forwards & Supplementary estimate Reserve	These are working balances arising from the carry forward policy, set out in financial regulations. Also to fund a normal level of supplementary estimates	Relevant Director & Cabinet member
Master Plan Income	Carry Forward one off income from sites where the developer has paid for additional support from Council planners. The reserve is used to fund any additional costs of the planning department	Relevant Director & Cabinet member
Vehicle Fuel Reserve	To be used as part of the budget process to alleviate the temporary increase in vehicle fuel	Budget Decision. Cabinet
Sinking Fund for let property	Provide resilience due to the volatility of properties that generate rent income	Budget Decision. Cabinet
New: rent income (temporary loss of tenant)	To be used as part of the budget process and closure of Accounts to alleviate the temporary loss of rent	Budget Decision. Cabinet
General Fund	These are uncommitted working balances to meet the unforeseen needs of the Council.	Normal Supplementary estimate rules (within constitution)
Business Retention Reserve	To meet timing issues arising from Business Rate Retention scheme	To be used by Section 151 as part of the annual closure of the Business Rate account

Section 8
Section 151 Officer Report – Risks & Robust Budget

The Council's members have a legal duty to have regard to the comments made by the Council's Chief Financial Officer (Section 151) in this section (report) when setting the 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 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 S151 (Chief Financial Officer)**
- B. Financial Management Arrangements**
- C. Financial Outlook and Risks**
- D. Level 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 fiduciary responsibility to the local taxpayers. This duty has been expanded overtime by legalisation 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.
- 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. In addition, the external auditors review the underlying assumptions used to support material estimates within the Council's financial statements, such as valuations of property assets and pension liabilities. Clearly, the nationwide failure of audit firms to carry out timely audits of local authority accounts makes this control ineffective.

CIPFA, who, working with Government, provide best practice on financial management to local authorities, have made a statement on how the role of the Chief Financial Officer in a public sector organisation should be. The CFO in a public service 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.

B) Financial Management Arrangements

When understanding the budget and financial position, Members of the Council need to be aware of the financial control and management arrangements. These arrangements must not only help manage, but also identify new risks.

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 reporting to the Audit & Risk Committee (year-end review) and Cabinet. 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.

The Council has due regard to both statutory and non-statutory guidance including the Prudential Code for Capital Finance in Local Authorities and related DLUHC Investment Guidance. Additionally, the Council has a long-established Treasury Management and Investment sub-committee. These arrangements ensure cash, capital investment and borrowing decisions are made with appropriate information and monitoring taking place.

Budget Planning: the budget has been prepared within the terms of the Medium-Term Financial Strategy and in consideration of the key financial risks identified. The process of setting the budget for 2024/25 has been the subject of the following report:

- Budget Framework - Medium Term Financial Strategy July 2023
- Mid-Year Budget Review and Financial Forecast October 2023

Independent Review of Financial Management is undertaken by:

External Audit - under National Audit Office (NAO) Code of Practice regulations, external auditors are also required to make a Value for Money assessment to consider that local authorities have put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. The assessment must be published three months post audit completion. The Council's auditors (BDO) have not completed their audit of the accounts for 2021/22 nor 2022/23. The delays are due to the auditor, who has publicly confirmed this at Audit and Risk Committee. The delays at Chelmsford are part of a national problem. The lack of Value for Money Assessment is therefore a weakness in the Council's financial arrangements, which the auditors are committed to address. However, they have not raised any concerns about value for money based on the work they have completed to date. The Section 151 officer believes it will be several years before external auditors catch up with the national backlog.

The lateness of external audit reports means the budget is being set without external validation of the reserve balances. The Section 151 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 scrutiny of financial management is also undertaken by Internal Audit, Audit and Risk Committee, the Performance review work of the Overview and Scrutiny Committee, the Treasury Management and Investment Sub-committee, and the Risk Management process.

Due to the extraordinary financial pressures faced by the Council, I intend to make some changes to the monitoring processes in 2024/25, to further strengthen arrangements:

- revenue income and expenditure reported to members will be monitored against the original budget set in February rather than against additional budget approvals made in the year. This is to clarify when reporting the additional and often significant use of reserves approved in year. The monitoring process needs more face-to-face discussion and feedback channels. The Council implemented an advanced financial reporting system some three years ago. This was intended to increase self-service and automation of financial processes for services. This change has improved financial management but, with the extraordinary financial pressures currently being faced, there needs to be more regular discussion of budget issues across the Council, by service managers, accountancy, Directors, and Cabinet members.
- when reporting financial implications of any new proposals, capital or revenue, commentary on their impact on overall budget deficits forecast will be provided.
- the changes to the monitoring process for revenue and capital aim to increase the use of the following measures to deal with adverse income and expenditure projections by:
 - slowing down or stopping spending if that is an appropriate mechanism,
 - increasing income elsewhere (identifying projections of overall resources) ; or
 - moving funds around between services (virements).

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 budget for 2024/25.

C) Financial Outlook and Risks

The financial forecasts and strategy are reported in the Medium-Term Financial Strategy (MTFS) to Cabinet and Council. This budget report updates the financial forecast for the next five years

in Section 7. It is not a comprehensive reworking but is sufficient to enable members to assess the ongoing sustainability of budget decisions. The forecast should be considered in conjunction with the comments included in this section from the S151 officer.

Looking ahead, the key financial pressures, risks and how they are being managed are discussed below:

- i) Housing - Housing Service costs: there has been an increase in demand for Council housing services. The shortage of affordable housing locally and nationally would imply this will continue to be a long-term problem. The extent of demand and resultant cost increase is difficult to predict and can only be based on current trends and the professional views of the Council's housing officers. If reserves are sufficient, then their use to provide time to seek actions to balance and ensure the extent of the additional Homelessness costs is the appropriate approach. It cannot be said that the Homelessness estimates are robust in themselves as there are too many variables outside the Council's control, but the approach to manage the risks within the budget, being holding reserves to offset risks and that officers are developing action plans during 2024 to lower the costs of homelessness, is robust.
- ii) Capital financing: The Council has an ambitious agenda that requires capital investment. This generates several risks:
 - The budget for the revenue cost of capital financing assumes a fall in long term interest rates.
 - Capital schemes already approved in the capital programme are exposed to the risk that inflation will drive up the costs of the scheme before or during construction, which in turn will increase the revenue costs of financing. To reduce the risk of cost overruns, the following actions are being taken: the development of a project toolkit by officers during 2024, reducing the time between the tender approval of a scheme budget, and ensuring robust feasibility work has been undertaken before budget approval.
 - No capital receipts of any material size have been included in financial planning. It is unlikely any material receipts will be received in 2024/25, but over the five-year forecast, receipts are a real possibility and will reduce capital financing costs charged to revenue.
 - CIL receipts do not arrive on time. This means either delaying schemes or undertaking more borrowing with higher revenue financing costs.
 - Waterside Development has potential financial upsides that have not been included in financial planning. The Council has committed to £43.6m of capital expenditure on this scheme funded in the current financial planning from grants and CIL. Reductions in the overall capital programme costs have resulted in no borrowing being needed for Chelmer Waterside. No capital receipts from this scheme have been allowed for in the financial forecasts. Capital receipts and or revenue income will be realised on the development. The revenue forecasts include the impact of spending CIL, being loss of interest of £650k in 2024/25 and £800k ongoing. On a like-for-like basis, every £10m of proceeds from disposal will generate revenue income of between £300k-£460k per annum; or more if it is used to pay down debt. Disposal proceeds or income streams from the development are unlikely until 2027.
- iii) Pay: with a 3% growth in planned staffing costs, there remains a significant risk that pay costs could be higher. This risk is due to the need to attract/retain staff, but also

the ongoing policy of Government to significantly increasing National Living wage rates by more than local government public sector earnings increases. One-off staff payments made from reserves are less affordable going forward, so potentially the ongoing element of the pay award will need to be higher. Fortunately, the inflation rate is now falling, which should mean, over the medium term, pay pressures should reduce.

- iv) Energy: costs in 2023/24 are lower than originally budgeted by some £0.8m. The Council's energy is now being bought as part of a three-year rolling purchase contract, which should bring greater stability and less risk of increases, however, inevitably, should prices fall, the Council contract prices will lag those reductions. Currently some 20% of energy for 2024/25 has yet to be forward purchased. The risks of higher energy costs in 2024/25 are much reduced but not negligible. The budget assumes some £0.6m of reserves are used to fund energy costs in 2024/25, but for 2025/26 no reserve use is planned. The impact is that the 2025/26 budget gap forecast increases as reserve use ceases and prices do not fall. The Utility Cost reserve is planned to remain in place with an uncommitted balance of £0.9m to help alleviate future risk.
- v) Business Rate Retention Income. The Council has received annually several millions, (it varies significantly year on year), but past income is not that useful in predicting future levels as the scheme is too complex. The Council has previously only committed £0.5m a year of this income to support ongoing revenue spend. The additional income has been taken as windfalls at year end to increase reserves or offset service overspends (often reduced income). However, the surplus for 2023/24 will be kept in a reserve and used to manage the risks arising from increasing the use of Business Rate Retention in supporting ongoing service expenditure. It is estimated that the Business Rate Retention Reserve should have over £3m of contingency funding in it by the end of 2023/24. The reserve balance may be higher as additional money could be held to manage timing differences on the scheme income and payments. There is a real but unquantifiable risk that Government will reduce this source of funding in later years, and this could be as early as 2025/26 as Retention income is outside Core Spending Power calculations.
- vi) Rent Income. The budget allows for a large reduction in rent income. Although it is unlikely in 2024/25 that further large reductions will occur, smaller reductions are possible. The risk remains that, as tenancies come up for renewal, reletting takes longer and is at lower rents. The Council's interest in High Chelmer will continue to suffer from changes in the consumer behaviour such as working from home and online shopping. The Budget includes the establishment of an earmarked reserve to meet predicted rent shortfalls for the period to the end of 2026/27. That reserve only has funding to cover the current projected rent void (losses) at Visteon and Eagle house. If these properties are not relet in line with expectation in the budget, the cost will fall on the general reserves or further net budget reductions will be needed.
- vii) Other risks. There are of course other risks, such as reduced car parking income due to redevelopment, planning income declining due to economic conditions, and world events. These and the many others will be managed via maintaining unearmarked reserves as near as possible to the £9m target and this is discussed below in the reserves commentary.

Based on the factors above, I consider that these budget proposals take due regard to risk, including the financial and economic environment, and that the assumptions within the budget are reasonable and the estimates used for 2024/25 are robust.

Looking beyond 2024/25, the financial pressures continue based on current trends and plans identified by services. The size of the forecast budget gap for 2025/26 identified in Section 7 is equivalent to over 50% of the general balance. However, the estimated budget gap for 2025/26 is not robust, as:

- at this time, it is impossible to say how Government funding will change post general election.
- Homelessness could taper off if demand and cost pressures ease, but there are many factors which could increase demand. The Council has limited control over these but is of course reviewing service provision to lessen costs.
- Inflation could be volatile due to world events.
- The forecast does not include any material measures undertaken to close the budget gap after 2024/25, such as savings, efficiencies or fees and charges reviews. After a decade of annually identifying efficiency savings, it must be presumed the scope of achieving efficiencies is more limited and so there is more risk.

I have consulted with the Chief Executive and Leader and have been advised the Council will develop a robust financial plan to move the Council's finances on to a more sustainable footing.

D) Level of Reserves and Overall Financial Standing

Last year, this report noted that nationally there was an increasing number of Councils issuing Section 114 notices. A S114 notice stops all non-essential spending and provides for a 21-day period for the Council to consider the report and what action it may take as a result. A significant number of Councils during the Autumn of 2023 stated publicly that their financial position was approaching the point where the S114 notices were becoming quite possible. Demand and inflationary pressures were becoming unmanageable. The Council's own financial position remains very challenging, with a large-planned use of reserves in 2024/25 and significant budget shortfalls forecast for 2025/26 and beyond.

The S151 officer of the Council declares if a Section 114 notice is necessary. The City Council does not have a foreseeable need for a Section 114 notice.

The S151 officer's view of 2024/25 reserve use is:

- Projections of the level of reserves show that they remain above the target set.
- The cost increases facing the Council are significant and their impact should be spread over several years by using reserves. This will enable the most effective resolution to be found.
- Government policy is that local authorities should be using reserves to manage the financial challenges in 2024/25. This is a matter that should be determined locally by members after careful consideration.
- The Council will, during 2024/25, develop a robust financial strategy to reduce reliance on reserves to fund ongoing services. This strategy may take several years to fully implement.

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 Budget Strategy, approved by Council in December 2020, contained a recommendation to increase the target level of unearmarked reserves to £9m. This was in response to the pandemic. It was a significant monetary increase from £7m to £9m and it provided additional capacity to cope with variations in the estimates.

It is not possible, given the current budget forecast and lack of certainty over government funding, to reduce the £9m target for unearmarked reserves. The reserves level should be determined by reference to the medium and long term need for reserves and, with the known risks, a lower level of reserves is not advisable. Reserves can be allowed to fall below the target for temporary periods if risks materialise.

In Section 7, Table 19, the projected use, and levels of Reserves to the period 2027/28 are shown. There is a decline in the level of unearmarked reserves. The forecast identifies a reduction to £8m after allowing for transfers and expenditure. However, as stated, the forecast revenue position is not a robust estimate as it does not allow for a revised financial strategy in 2024. The key metric is the unearmarked reserves are not projected to fall below £9m in the 2024/25 budget year.

The Council holds a number of earmarked reserves to provide for future expenditure such as pension deficit payments, some to guard against specific risks such as the reserve to support revenue costs of abortive capital projects, and others to hold uncertain income until it is fully realised (Business Rates Retention income). Further detail on these reserves is contained in Section 7 of the report.

Based on the above factors, I consider the level of reserves presented in the budget estimates to be adequate to support the ongoing financial sustainability of the Council. This is based on the commitments made to develop a new financial strategy in 2024/25.

E) Conclusions

The budget shortfalls shown in the financial forecasts are significant financial challenges and will be more difficult to manage than previous deficits because:

- Efficiency savings are scarcer given that the Council has been successfully finding ways to meet shortfalls for over 10 years.
- Reliance on income generation to balance the budget brings over the longer term increased risks, such as the potential for customer resistance to increases in charges or as seen currently, void periods in the Council's property portfolio.
- The economic and world political climate makes it difficult to predict demand and the cost of the provision of Council services.
- Government funding is highly uncertain beyond 2024/25.

These issues are faced by all lower tier English local authorities.

The development of a robust medium-term financial plan to balance the budget is an essential action for 2024/25.

Taking all of 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.

Phil Reeves - S151 Officer/Chief Financial Officer

Section 9 Council Tax & Business Rates

The Council's budget is heavily dependent on Council tax income. Not only is the amount significant (£15.8m), but it also provides a stable income. The Council has only limited discretion to increase Council Tax as the Government annually set a threshold which, if exceeded, requires a local referendum.

The Council also benefits from business rates, historically keeping some 4% of the total business rates raised locally. This share is determined as part of the Government's formula funding assessment. Additionally, through the Business Rates Retention Scheme, the Council receives one-off rewards for growth in the total local business rate income. The Council has no ability to increase local business rates but does have some limited ability to offer local reductions in business rates, but at the Council's cost.

This section identifies the issues arising from Business Rates and Council Tax when setting the Council's Budget for 2024/25.

Council Tax Referendums

The Government has announced that Council Tax increases of the greater of 3% or £5 for District authorities will not be subject to a local referendum. The budget includes proposals to increase a band D Council Tax by £6.44 (2.99%) per year, which is within this limit. This generates some £460k extra per year.

Council Tax, Parish Grant & Special Expenses Proposal 2024/25

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 2024/25 is 71,536.25, some 773 higher than last year. The increase in the number of Band generates an extra £170k.

A summary of the known Council Tax charges from each of the precepting authorities (an average is shown for Parishes) is shown in **Table 20**. The table will be completed for Council.

	2023/24	2024/25	Increase	Increase
	£	£	£	%
Chelmsford City Council (average)	215.08	221.52	6.44	2.99%
Essex County Council	1,450.17	1,522.53	72.36	4.99%
Police, Fire and Crime Commissioner for Essex	233.46	246.42	12.96	5.55%
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	80.28	82.62	2.34	2.91%
	1,978.99	2,073.09	94.10	
Parish Tier Councils (average)	45.85	49.05	3.20	6.98%
TOTAL	2,024.84	2,122.14	97.30	

A Council Tax resolution, which is the legal document used to set Council Tax is Appendix 2.

After allowing for Tax base and the 2.99%, increase some £630k extra income from Council tax can expected in 2024/25.

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 2024/25 is £156k. The deficit has fallen by £37k compared to 2023/24.

Business Rate Surplus or Deficit

To meet the legal requirements when setting the budget for 2024/25, the Council is required to declare by the 31st of January 2024 a Business Rate Retention Surplus or Deficit, after submitting a return (NNDR1) to Government, which is a deficit of £1.356m. The figure of importance is £2.25m which is the amount of Business Rate Retention income which will be used to fund ongoing service expenditure in 2024/25. The table 21, below shows the updated Business Rate Retention position following the completion the statutory NNDR1 return at the end of January. The income is now forecast to be higher than expected. The budget proposal takes a prudent view and any gain (or loss) over the £2.25m surplus is taken to Business rate retention reserve until it can be confirmed at the end of 2024/25.

Table 21 Business Rate Retention

Estimated Business Rate Retention (BRR) position for 2024/25	£000s
Business rate Income (CCC share)	-7,505
Baseline funding in settlement	3,707
31/1/24 Declared CF deficit timing Difference NNDR1	1,356
BRR transfer to fund timing differences	-1,405
BRR Pool estimated income	-500
Total Estimated Income 24/25	-4,347
Income in Budget	2,250
S31 Inflation Grant in Budget	696
Potential further BR income 2024/25	-1,401

CHARGES TO PARISH AND TIER COUNCIL AREAS

Table 22

PARISH TIER COUNCIL	2023/24								2024/25							
	←-- 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	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes
(1) £	(2) £	(3) £	£	(5) £	£	(4) £	(6) £	(1) £	(2) £	(3) £	£	(5) £	£	(4) £	(6) £	
Boreham	95,445	-6	95,439	186.66	5.58	192.24	66.69	258.93	102,126	-55	102,071	190.71	5.85	196.56	71.01	267.57
Broomfield	201,583	-44	201,539	186.66	26.73	213.39	94.68	308.07	222,000	23	222,023	190.71	29.16	219.87	104.13	324.00
Chelmer	187,257	152	187,409	186.66	38.97	225.63	54.81	280.44	219,161	-47	219,114	190.71	41.58	232.29	64.08	296.37
Chelmsford Garden	194,291	47	194,338	186.66	22.86	209.52	58.77	268.29	217,723	-92	217,631	190.71	24.75	215.46	60.66	276.12
Chignal	8,100	4	8,104	186.66	34.56	221.22	25.56	246.78	7,000	0	7,000	190.71	37.80	228.51	21.51	250.02
Danbury	360,388	35	360,423	186.66	2.61	189.27	147.51	336.78	381,834	-109	381,725	190.71	2.61	193.32	155.79	349.11
East Hanningfield	36,459	11	36,470	186.66	25.56	212.22	73.80	286.02	40,345	12	40,357	190.71	27.00	217.71	73.80	291.51
Galleywood	113,150	63	113,213	186.66	31.95	218.61	53.46	272.07	124,332	50	124,382	190.71	34.83	225.54	59.31	284.85
Good Easter	10,710	2	10,712	186.66	20.16	206.82	59.58	266.40	10,710	5	10,715	190.71	22.23	212.94	58.41	271.35
Great & Little Leighs	33,000	-33	32,967	186.66	36.81	223.47	28.26	251.73	42,000	7	42,007	190.71	40.14	230.85	36.09	266.94
Great Baddow	460,568	-75	460,493	186.66	9.09	195.75	84.42	280.17	479,669	5	479,674	190.71	9.81	200.52	87.66	288.18
Great Waltham	84,366	-18	84,348	186.66	25.20	211.86	89.64	301.50	104,027	-22	104,005	190.71	27.36	218.07	109.44	327.51
Highwood	40,030	8	40,038	186.66	22.68	209.34	120.15	329.49	40,030	-3	40,027	190.71	24.66	215.37	120.96	336.33
Little Baddow	49,806	-18	49,788	186.66	22.32	208.98	56.79	265.77	52,296	-38	52,258	190.71	24.21	214.92	59.76	274.68
Little Waltham	41,877	-3	41,874	186.66	30.51	217.17	78.21	295.38	55,352	8	55,360	190.71	32.94	223.65	99.72	323.37
Margaretting	12,420	-5	12,415	186.66	22.77	209.43	31.77	241.20	12,420	3	12,423	190.71	24.66	215.37	30.69	246.06
Mashbury	0	0	0	186.66	20.16	206.82	0.00	206.82	0	0	0	190.71	22.23	212.94	0.00	212.94
Pleshey	8,280	-3	8,277	186.66	20.16	206.82	59.31	266.13	13,250	-3	13,247	190.71	22.23	212.94	94.05	306.99
Rettendon	46,800	27	46,827	186.66	28.26	214.92	56.61	271.53	48,427	-17	48,410	190.71	30.60	221.31	57.96	279.27
Roxwell	16,500	-18	16,482	186.66	1.71	188.37	34.56	222.93	22,500	-6	22,494	190.71	1.71	192.42	46.98	239.40
Runwell	118,239	-35	118,204	186.66	20.79	207.45	59.67	267.12	142,022	10	142,032	190.71	22.77	213.48	70.56	284.04
Sandon	38,808	30	38,838	186.66	25.29	211.95	49.95	261.90	40,360	-18	40,342	190.71	27.36	218.07	52.29	270.36
South Hanningfield	94,000	47	94,047	186.66	22.05	208.71	77.04	285.75	99,640	4	99,644	190.71	23.94	214.65	81.00	295.65
South Woodham Ferrers	442,251	222	442,473	186.66	27.09	213.75	72.63	286.38	449,200	-66	449,134	190.71	29.34	220.05	73.44	293.49
Springfield	207,809	-61	207,748	186.66	39.24	225.90	71.55	297.45	227,240	20	227,260	190.71	42.66	233.37	78.30	311.67
Stock	51,639	-24	51,615	186.66	21.87	208.53	41.94	250.47	51,639	22	51,661	190.71	23.85	214.56	41.94	256.50
West Hanningfield	30,474	-4	30,470	186.66	22.05	208.71	56.52	265.23	31,212	-14	31,198	190.71	24.03	214.74	56.43	271.17
Woodham Ferrers & Bicknacre	100,377	-3	100,374	186.66	22.32	208.98	79.74	288.72	100,377	55	100,432	190.71	24.12	214.83	76.05	290.88
Writtle	159,609	-19	159,590	186.66	4.14	190.80	78.84	269.64	172,378	-17	172,361	190.71	4.05	194.76	85.32	280.08
City Centre (Non-Parished Area)				186.66	38.79	225.45	0.00	225.45				190.71	42.21	232.92	0.00	232.92
TOTALS	3,244,236	280	3,244,516						3,509,270	-281	3,508,989					

Section 10 Revenue Budget

Revenue Service Budgets

This section contains:

1. Subjective Analysis of the Council Revenue Budget (**Table 23**)
2. A summary of the budget (**Table 24**)
3. Service Budgets (Expenditure and Income) for 2024/25 (**Table 25**)

Table 23 - SUBJECTIVE ANALYSIS OF THE REVENUE BUDGET

2022/23 Actual £000s		2023/24 Original £000s	2024/25 Estimate £000s
	EXPENDITURE		
37,394	Employees - Salaries	39,560	41,397
209	Employees - Other	232	223
8,978	Premises	10,810	11,026
13,356	Supplies and Services	12,203	18,735
2,509	Transport and Plant	2,433	2,373
2,239	Third Party Payments	2,061	2,394
32,191	Benefit Payments	34,704	35,377
96,876	TOTAL CONTROL EXPENDITURE	102,003	111,524
	INCOME		
-32,650	Government Grants	-33,426	-31,780
-4,635	Other Grants and Reimbursements	-3,784	-4,241
-1,676	Sales	-1,534	-1,773
-23,767	Fees and Charges	-25,944	-28,512
-9,185	Rents	-8,918	-14,350
-1,706	Other	-2,106	-1,725
-73,620	TOTAL CONTROL INCOME	-75,711	-82,380
23,256	NET CONTROL EXPENDITURE	26,291	29,144
	INTERNAL RECHARGES		
26,538	Service Management and Overheads	27,944	29,322
-26,540	Recharges	-28,139	-29,551
-3		-195	-229
23,254	SERVICE EXPENDITURE	26,096	28,915
	OTHER ITEMS		
-1,867	Interest Receivable & Investment Income	-1,290	-1,010
664	Interest Payable & MRP	1,304	1,990
-2,500	Net Business Rate Retention Impact	-500	-2,250
1,351	Direct Revenue Financing of Capital	-	316
-3,563	New Homes Bonus & Other Govt Grants	-3,646	-4,137
-5,916		-4,132	-5,091
	USE OF RESERVES AND BALANCES		
575	Contributions - from / to Earmarked Reserves	-2,608	-2,728
196	Contributions - from / to Un-Earmarked Reserves	-624	-1,515
771		-3,232	-4,243
18,110	BUDGET REQUIREMENT	18,732	19,581
	LESS GOVERNMENT SUPPORT		
-3,408	Collection Fund (Surplus) / Deficit	-3,706	-3,889
-53		193	156
14,650	CALL ON COLLECTION FUND	15,219	15,847

TABLE 24 - SUMMARY OF REVENUE ESTIMATES

2023/24 Original Estimate £'000	Original Estimates 2024/25	2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
354	Chief Executive	424	0	424
11,030	Connected Chelmsford	46,438	-35,191	11,246
169	Fairer Chelmsford - CDRM	524	-314	210
-445	Fairer Chelmsford	19,007	-15,128	3,879
2,763	Finance and Audit	2,287	-13	2,274
-1,676	Growing Chelmsford	7,723	-10,886	-3,163
12,984	Greener & Safer Chelmsford	25,237	-11,829	13,408
1,113	Active Chelmsford	9,886	-9,020	866
26,292	Service Expenditure	111,526	-82,381	29,144
	Other General Fund Items			
-195	- Charges to SEPP			-229
-1,290	- Interest Income			-1,010
1,304	- Minimum Revenue Provision & Interest Paid			1,990
0	- Revenue Funding of Capital			316
-3,646	- Other Grants (including New Homes Bonus, Section 31 Grants)			-4,137
-500	- Net Impact of Business Rates Retention Scheme			-2,250
	Earmarked Reserves			
-2,608	- Contributions to / -use of Other Earmarked reserves			-2,728
19,357	Net Expenditure			21,096
-624	Contribution to / -from Balances			-1,515
18,733	Budget Requirement			19,580
-3,707	Baseline Retained Business Rates			-3,889
193	Council Tax -Surplus/+Deficit			156
15,219	Income from Council Tax			15,847

Table 25 COUNCIL SERVICE BUDGETS

CHIEF EXECUTIVE

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
354	CHIEF EXECUTIVE	424	-	424
354		424	0	424
354		424	0	424

CONNECTED CHELMSFORD

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
287	DIRECTOR OF CONNECTED CHELMSFORD	296	-	296
287	DIRECTOR OF CONNECTED CHELMSFORD	296	0	296
3,183	DIGITAL SERVICES	3,513	-57	3,456
3,183	DIGITAL SERVICES	3,513	-57	3,456
797	MARKETING AND COMMUNICATIONS TEAM	820	-	820
861	CUSTOMER SERVICES	904	-8	896
1,658	MARKETING & COMMUNICATION	1,724	-8	1,716
783	HUMAN RESOURCES	846	-51	796
171	HUMAN RESOURCES	185	-4	182
955	PAYROLL	1,032	-54	978
945	LEGAL & DEMOCRATIC SERVICES	1,242	-158	1,084
557	LEGAL AND DEMOCRATIC SERVICES	260	-2	257
893	ELECTIONS	822	-	822
2,395	DEMOCRATIC SERVICES	2,323	-160	2,163
174	PROCUREMENT, RISKS & INSURANCE	175	-	175
290	PROCUREMENT	290	-	290
143	VOLUNTARY GRANTS	146	-	146
4	INSURANCE & RISK	-	-	-
611	FRAUD INVESTIGATIONS	612	0	612
1,158	BENEFITS & REVENUES	2,458	-1,182	1,276
-287	REVENUES & BENEFITS	30,574	-30,741	-167
871	HB SUBSIDY	33,032	-31,922	1,110
105	CULTURE	444	-363	81
103	CULTURE	2,435	-2,414	21
862	THEATRES	1,027	-213	814
1,070	MUSEUM	3,906	-2,990	916
11,030		46,438	-35,191	11,246

Please note the figures are not rounded in table 25.

FAIRER CHELMSFORD - CDRM

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
169	CORPORATE MANAGEMENT & DEMO. REPRESENT.	524	-314	210
169		524	-314	210
169		524	-314	210

FAIRER CHELMSFORD

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
-3,995	PROPERTY SERVICES	725	-3,838	-3,112
475	PROPERTY HOLDINGS	546	-5	541
-3,521	PROPERTY - SUPPORT SERVICES	1,271	-3,843	-2,572
2,324	HOUSING SERVICES	2,033	-1,615	418
513	STRATEGIC HOUSING	15,494	-9,659	5,835
55	TEMPORARY ACCOMMODATION	33	-11	22
184	HOUSING NEEDS	175	-	175
3,075	STRATEGIC HOUSING - RENT DEPOSIT SCHEME	17,736	-11,285	6,450
-445		19,007	-15,128	3,879

FINANCE & AUDIT

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
-	DIRECTOR OF FINANCIAL SERVICES	-	-	-
1,474	FINANCE MANAGER	969	-10	959
1,474	FINANCE CM & DRM	969	-10	959
1,088	ACCOUNTANCY, SYSTEMS & EXCHEQUER	1,110	-2	1,108
1,088	ACCOUNTANCY	1,110	-2	1,108
201	AUDIT	207	-	207
201	INTERNAL AUDIT	207	0	207
2,763		2,287	-13	2,274

GROWING CHELMSFORD

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
685	DEVELOPMENT MANAGEMENT	2,041	-1,816	226
-94	DEVELOPMENT MANAGEMENT	151	-241	-89
591	LOCAL LAND CHARGES	2,193	-2,056	137
576	ECONOMIC DEVELOPMENT AND IMPLEMENTATION	827	-345	482
576	ECONOMIC DEVELOPMENT & IMPLEMENTATION	827	-345	482
68	BUILDING CONTROL	586	-430	156
68	BUILDING CONTROL	586	-430	156
872	PLANNING POLICY	1,319	-518	801
872	PLANNING POLICY	1,319	-518	801
-3,908	CAR PARK OPERATIONS	2,304	-7,227	-4,924
153	CAR PARKS	173	-	173
-27	PARKING SUPPORT	321	-310	11
-3,782	PARK AND RIDE	2,798	-7,537	-4,740
-1,676		7,723	-10,886	-3,163

GREENER & SAFER CHELMSFORD

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
	OPERATIONS			
2,264	WASTE & GARDEN COMPOSTING	2,992	-603	2,389
-495	TRADE WASTE	1,151	-1,592	-441
1,103	RECYCLING - MRF, GENERAL & FOOD	4,724	-3,678	1,046
431	VEHICLE MAINTENANCE WORKSHOP	536	-81	455
3,303		9,403	-5,954	3,449
	STREET CARE AND PERFORMANCE			
201	PUBLIC CONVENIENCES	212	-	212
78	MARKET	548	-489	59
1,824	STREET CLEANING	1,954	-89	1,770
65	STREET SERVICES	101	-34	163
177	LOVE YOUR CHELMSFORD	191	-	191
363	FREIGHTER HOUSE DEPOT	389	-9	380
1,125	FREIGHTER HSE CUSTOMER & BUSINESS SUPP	1,132	-	1,132
3,832		4,527	-621	3,906
	BUILDING SERVICES			
538	BUILDING SERVICES - SUPPORT	590	-	590
1,556	BUILDING SERVICES - PROPERTIES	1,565	-186	1,379
272	ENERGY & CONTRACT MANAGEMENT	283	-	283
2,366		2,438	-186	2,251
	PUBLIC HEALTH AND PROTECTION SERVICES			
96	HIGHWAYS	96	-	96
-4	SCIENTIFIC	41	-46	-4
-215	LICENSING	203	-426	-223
26	BUSINESS COMPLIANCE	51	-9	42
33	PUBLIC HEALTH PROTECTION	42	-8	33
28	HEALTH & SAFETY	30	-	30
15	PEST CONTROL	32	-18	14
1,438	PUBLIC HEALTH & PROTECTION SUPPORT	1,656	-99	1,557
329	CCTV	394	-58	336
115	COMMUNITY SAFETY	153	-29	123
-7	HOUSING STANDARDS	31	-41	-10
0	ANIMAL WELFARE	16	-16	-0
1,852		2,744	-749	1,994
	PARKS AND GREEN SPACES			
-9	ALLOTMENTS	20	-28	-9
623	PARKS & HERITAGE CUSTOMER & BUSINESS SUP	649	-	649
-244	HYLANDS PARK & ESTATE	145	-427	-282
131	PARKS GARDENS & RECREATION GROUNDS	150	-49	101
135	PLAY AREAS	136	-	136
-65	PARKS EVENTS & ACTIVITIES	1	-75	-74
22	OUTDOOR SPORTS & PLAYING FIELDS	375	-378	-3
120	TREE INSPECTION & MAINTENANCE	124	-4	120
-4	NATURAL & GREEN SPACE, COMMON	17	-14	3
5	AMENITY GREEN SPACE& GREEN INFRASTR	184	-185	-1
2,498	GROUND MAINTENANCE OPERATIONS	3,268	-450	2,818
212	GROUND MAINTENANCE - CREMATORIUM	221	-	221
-1,793	CEMETERY AND CREMATORIUM	838	-2,709	-1,872
1,632		6,126	-4,319	1,807
12,984		25,237	-11,829	13,408

ACTIVE CHELMSFORD

2023/24 Original Budget £'000		2024/25 Estimated Spend £'000	2024/25 Estimated Income £'000	2024/25 Net Estimate £'000
	LEISURE AND HERITAGE SERVICES			
-6	DOVEDALE SPORTS CENTRE	244	-219	25
337	CHELMSFORD SPORTS AND ATHLETIC CENTRE	1,161	-786	375
408	RIVERSIDE ICE AND LEISURE	5,178	-5,411	-234
319	SOUTH WOODHAM FERRERS LEISURE CENTRE	1,318	-955	363
-420	CULTURAL EVENTS	-	-85	-85
294	COMMUNITY SPORTS & WELLBEING	401	-113	287
181	HYLANDS HOUSE & VISITORS CENTRE	1,586	-1,450	135
1,113		9,886	-9,020	866
1,113		9,886	-9,020	866

Section 11 Capital Budget

Capital Budgets

This section contains:

- Revisions to Existing Approved Capital Schemes – Details in **Table 26** and **Table 27**
- Revisions to the Asset Replacement Programme 2023/24 and proposals for new budgets for 2024/25 and 2025/26 – Details in **Table 28** and **Table 29**
- The proposal to use £595k of neighbourhood CIL to fund schemes to reduce the impact of capital financing on the revenue budget – Details in **Table 30**

Existing Approved Capital Schemes

Project Officers have been monitoring schemes and the updated budgets in **Table 28** reflect the latest estimated cost information. In addition to Project Officers monitoring the current schemes, a full review of the schemes in the programme which have not yet commenced was also undertaken by Management Team. The premise of this review was to delay or remove as much of the capital programme as possible to reduce the ongoing pressure on the revenue budget of the financing costs of the capital programme. The results of the review, a reduction of £14.7m, has been endorsed by Informal cabinet and are detailed in **Table 28 and 29**. The total estimated cost of the programme is £117.804m.

A summary of variations for the current approved total scheme costs across all years is a net reduction of £16.264m which includes the £14.7m mentioned in the paragraph above. Details of the £16.264m net reduction are shown in **Table 26** with further details in **Table 27** where those variations are more than £25k. Schemes removed following the review will be included on the Council's Aspirations list of schemes which will be kept under review for consideration as to whether they will be added back into the programme as the schemes become affordable.

Capital scheme costs have not always been assessed and approved on the latest costs and there is a risk that they 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. A review of any un-started capital schemes will be undertaken during 2024/25.

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.

Previously, asset replacements have been approved one year at a time. This year, Council are requested to approve the latest forecast cost of the current year plus two additional years (2024/25 and 2025/26). 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 for forward planning purposes to enable the monitoring of the resource position.

All Service Managers were 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 2024/25 and the impact on the revenue budget of borrowing against short life assets.

Asset Replacements

Table 28 provides details of the asset replacement programme. It shows the forecast cost for three years, 2023/24, 2024/25 and 2025/26. The current approved budget for 2023/24 is £5.456m. The forecast for 2023/24, 2024/25 and 2025/26 was £15.319m. Approval is now sought for all three years and is forecast as a total of £17.221m. This is a net increase to the previously forecast spend for the same period of £1.9m.

Table 29 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 2024/25 identifies 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 26

CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS								
		Latest Approved Budget - Approved July 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Spend to 31st March 2023	SCHEME DESCRIPTION	Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		£000s	£000s	£000s	£000s	£000s				
	Active									
22	1 Riverside Elevations	2,000		2,000	-1,978	22	Removed - reduces financing cost	Budget Provision Removed	£2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme. October 2023 scheme review Management Team and Informal Cabinet and provision to be removed. Existing spend to be transferred to revenue.	
	2 Dovedales - Grant for Works	28	-2	26		26		Deferred	Approved at Council February 2020 and programmed for 2020/21. To be reviewed with potential refurbishment scheme in 2024/25.	
46	3 Dovedales Sports Centre Refurbishment	1,464		1,464		1,464		Deferred to 2025/26 - reduces loss of interest on use of CIL	Scheme under review	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.
73	4 Chelmsford Sports and Athletics Centre - Outdoor Track and External Upgrades	350		350	-35	315			Yes	£350k approved at Cabinet October 2022. To be funded from £300k S106.
	5 Chelmsford Sports and Athletics Centre - Gym Improvements	168		168	13	181			Yes	Approved by Council February 2023. Delegated authority to 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. Scheme delegation signed and works progressing.
	6 South Woodham Ferrers Pool Works and Plant	275		275		275		Deferred to 2025/26 - delays impact of financing cost Deferred to 2024/25 - delays impact of financing cost	No - Agreed to Defer	Approved at Council February 2023. Scheduled for 2024/25. October 2023 Scheme deferred to 2025/26 pending outcome of application for Sport England Funding.
	7 Hylands House Stable Block Toilets	44		44	16	60			Agreed to Defer to 2024/25	Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24. October 2023 following review deferred to 2024/25.
	Connected Chelmsford									
3,133	8 Theatres' Modernisation	1,000	2,246	3,246		3,246	Deferred to 2026/27 - delays impact of financing cost	Main works complete - ongoing snagging and final account to be agreed	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.	
	9 Oaklands Museum Staff Room and Kitchen Refit	24		24		24		No - Agreed to Defer to 2026/27	Approved by Council February 2023 and scheduled for 2024/25. October 2023 following review rephased to 2026/27	
	Fairer Chelmsford									
161	10 Land Development Site Investigations	365		365	50	415		Programme of works to be determined	Approved Cabinet November 2021.	

Spend to 31st March 2023 £000s	SCHEME DESCRIPTION	Original Approved Scheme Budget £000s	Additional/Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
561	11 Various Land Sites' Disposal Costs	612	255	867		867	Removed to aspirational - reduces impact of financing cost	Under review	Approved Council February 2022. Delegated authority to the director to spend within the approved budget. Additional budget approved £120k February 2023 Council. Council report in July decision taken to transfer some smaller sites rather than develop in house, therefore prior spend will need to be transferred to revenue.	
2,577	12 Enabling Lockside Growth Area	450	5,506	5,956		5,956		In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022. October 2023 delay in purchase of properties now delayed until 2024/25.	
1,592	13 Apiary Yard (Galleywood Hall) Development Industrial Units	1,200	432	1,632		1,632		Main Works completed	Approved at Council February 2019. Following a reassessment of the budget £400k was removed. Additional £200k was approved November 2021 due to rising prices of materials and construction. An additional £850k was approved by Council February 2022.	
	14 Land Acquisition Cemetery/Crematorium	1,800	4,200	6,000	-2,000	4,000		To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council. October 2023 Potential site identified, surveys for suitability being undertaken, budget adjusted for estimated cost of land.	
	15 High Chelmer Roof	1,500		1,500	-1,500	0		Removed to Aspirational	Approved at Council February 2020 and programmed for 2021/22. These works have now been programmed to commence in 2026/27. October 2023 review has resulted in budget being removed.	
962	16 Refurbishment of Commercially Leased Properties	720	1,480	2,200		2,200		No	Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021. Additional £1.1m agreed at Cabinet October 2022. Urgency approved November 2022.	
6,629	17 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy - Acquisition 20 x Houses	8,200		8,200	-1,106	7,094		Unspent budget to be pooled for future Housing Initiatives	Remaining budget removed	Approved at Council February 2022 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.
	18 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy - Modular Units	3,510		3,510	-3,510	0		Unspent budget to be pooled for future Housing Initiatives	Budget Removed	Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford.
515	19 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Hostel Expansion	325	190	515		515			Completed	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2023/24. £150k approved by Cabinet June 2022 for increased cost of works to Hostel expansion. Additional £40k approved for Hostel expansion Cabinet November 2022.

Spend to 31st March 2023	SCHEME DESCRIPTION	Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		£000s	£000s	£000s	£000s	£000s				
142	20 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Development	1,900	0	1,900	-1,648	252	Unspent budget to be pooled for future Housing Initiatives	Remaining budget removed	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2024/25. Provision for development Railway Street. July 2023 decision to transfer site rather than develop in house. Previous spend will need to be transferred to revenue.	
	21 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	2,000		2,000	-700	1,300		Unspent budget to be pooled for future Housing Initiatives	Approved at Council February 2020. Delegated authority to Cabinet. Report taken to Council in July and £1.3m budget approved to purchase land for affordable housing.	
	22 Housing Initiatives Future schemes to be developed			0	6,964	6,964		New pooled provision for future housing initiative	Business Case to be Developed	October 2023 - Review of housing delivery being undertaken. All unallocated/unspent housing initiatives budgets have been pooled into one single pot 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.
	23 Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643	-1,300	343	-25	318	No further spend until 2024/25	Dependent on Third party	Budget approved in principle February 2022 Council. Delegated authority to the Director of Sustainable Communities to decide upon the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Fairer Chelmsford. £318k grant for CHP approved by delegation. This budget has been removed and the S106 funding redirected to the purchase of land for affordable housing.	
1,890	24 Drakes' Lane Travellers Site	1,950	-60	1,890	4	1,894		Completed	Approved by Urgency March 2021.	
	Greener and Safer Chelmsford									
	25 Cemetery and Crematorium Infrastructure	6,800		6,800		6,800		Business Case to be Developed	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.	
	26 Cemetery Toilet Refurbishment	86		86		86		No agreed to defer to 2023/24	Approved at Council February 2022. Delegated authority to Director to spend within approved budget.	
	27 Cemetery Lining of Foul Water Drain	29		29		29		Yes	Approved at Council February 2023. Scheduled for 2023/24.	
	28 Crematorium Office Pyramid Roof	18		18		18		Yes	Approved at Council February 2023. Scheduled for 2023/24.	
	29 Civic Offices Improvement Programme	460		460	31	491		Under Review	Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme. October 2023 £31k vired from replacement scheme.	
145	30 Community Flood Improvements	184		184	1	185		Works Completed Monitoring to continue	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.	
	31 Beaulieu Park Pavilion Refurbishment	57		57		57		No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2025/26.	
	32 Chancellor Park Pavilion Works	46		46		46	No - deferred to 2024/25	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2023/24.		

Spend to 31st March 2023 £000s	SCHEME DESCRIPTION	Original Approved Scheme Budget £000s	Additional/Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
	33 Beaulieu Pavilion Health and Safety Works	33		33		33		No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
	34 Oaklands Park Upgrade Tennis Courts	91	86	177	4	181		No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget. Additional £86k budget approved February Council 2023 funded by contribution. Scheme has been amended from MUGA to upgraded tennis courts.
	35 Rivers and Waterways Improvements	600	-107	493		493		No - Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Originally programmed over 3 years commencing 2021/22.
46	36 Automatic Floodgates and Provision of Locks - Feasibility		107	107		107		No	Budget approved September 2020 Cabinet. Budget vired from Rivers and Waterways Improvements.
70	37 Mass Tree planting and Woodland Creation	4,400	-124	4,276	-2,626	1,650		Reviewed spend and phasing. Budget required reduced as opportunity to acquire 30 hectares of land at lower cost than forecast. Assumption was previously based on external funding of £2m. This assumption now removed which will have the impact of increasing financing costs.	Reviewed Annually
	38 Green Initiatives Phase 1	500	-145	355		355		Business Cases to be Developed	Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred schemes. £102k vired towards cost of electric vehicle - approved February 2023. October 2023 £43k vired to fund additional cost of electric sweepers.
	39 Green Initiatives Fund Phase 2	6,500		6,500	-3,100	3,400	Reviewed and reduced budget based on affordability. The impact of this is a reduced financing cost	Business Cases to be Developed	Approved in principal Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets. October 2023 Programme reviewed for affordability, budget reduced.

Spend to 31st March 2023	SCHEME DESCRIPTION	Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		£000s	£000s	£000s	£000s	£000s				
9	40 CIL Landscape Enhancement Scheme Chignal Road	11		11		11	Deferred to 2026/27 - delays impact of financing cost	Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.	
533	41 Chelmsford Indoor Market Refurbishment	500	100	600		600		Indoor works completed. Outdoor works deferred to 2024/25	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.	
	42 Retail Market Drainage Improvements	31		31		31		Deferred to 2024/25	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.	
	43 Retail Market Traders' Conveniences Remodelling	102		102		102		Agreed to defer to 2026/27	Approved Council February 2023. Scheduled for 2023/24. October 2023 reviewed and deferred to 2026/27.	
	44 Market Road Conveniences Accessibility	20		20		20		Yes	Approved by Council February 2023. Scheduled for 2023/24.	
	45 Public Convenience Refurbishment - Admirals and Central Park	168		168		168		Yes	Approved by Council February 2023. Two year programme scheduled to commence 2023/24.	
	46 Freighter House Depot Resurfacing Works	216		216		216		Yes	Approved at Council February 2023. Five year programme scheduled to commence 2024/25.	
	Sustainable Development									
103	47 Chelmsford Flood Resilience Programme	4,833	0	4,833		4,833		Deferred start of scheme to 2026/27 - delays impact of financing costs	Business case to be developed	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.
32	48 Public Realm Wayfinding Signs Phase 3	150		150		150			No	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC to approve scheme.
4,388	49 Public Realm Tindal Square Design and Construction	160	4,228	4,388	339	4,727		Completed - final account for works still to be agreed	Approved at Council February 2018. The design works were completed 2020/21. Additional £320k approved by Cabinet June 2020 for design and tender to be funded from S106. Report taken to Cabinet October 2021 and urgency letter requested for approval of the agreed scheme an additional £3.358m. Additional £485k approved at October 2022 Cabinet. Additional funding from ECC £450k.	

Spend to 31st March 2023		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
7,217	50 Chelmer Waterside Infrastructure (HIF) - Grant Funded	15,500	28,130	43,630		43,630		No	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £1.1m 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.
1,461	51 S106 Beaulieu Park Station	100	1,550	1,650		1,650		Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.
2,865	52 S106 Beaulieu Park Station 2nd Phase	2,917	514	3,431		3,431		Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.
24	53 S106 Stonebridge Illuminations	37	6	43		43		No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.
2	54 S106 River Can Pathway Lighting Design	10	6	16		16		No	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k.
45	55 S106 Public Art Channels	21	79	100		102		No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021.
	56 S106 Marconi Water Tower					30			
	57 CIL Sutherland Lodge Refurbishment	525		525		525		Business case Currently being reviewed	Approved Council July 2017.
	58 CIL St Andrew's Scout Hut Building	80		80		80		Dependent on Third party - Late delivery	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019.
62	59 CIL Integrated Cycling Infrastructure Grant	100		100		100		No	CIL funding approved at meeting of the CIL Panel 23/1/2020.
	60 CIL Trinity Road School Improvements	950		950		950		Dependent on Third party	Approved at Council February 2021
	61 CIL Grant Chelmsford Society Model Engineers	5		5		5		No - dependent on Third party	CIL funding approved December 2021. Spend approved Council February 2022.

Spend to 31st March 2023		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
	62 CIL Knife Angel Legacy Public Art				10	10	Removed to aspirational - removes impact of loss of interest on use of CIL alternatively frees up CIL to be used for Waterside to remove need to borrow	No - dependent on Third party	CIL funding agreed
17	63 CIL Green Initiatives - Various Schemes	15	17	32		32		No - dependent on Third party	£100k CIL funding approved December 2021 for green initiatives grant funding. Spend approved Council February 2022. £100k pot is drawn down following approval of applications for funding.
	64 CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500		Dependent on Third party	Forward funding grant to ECC to be made 2021/22. Approved Council May 2021.
	65 CIL Army and Navy Contribution to ECC	4,000		4,000	-4,000	0		Scheme removed	Approved Council July 2022. October 2023 Review resulted in budget provision being removed and scheme to be included on future aspirations schedule
	66 CIL ECC East Chelmsford Cycling and Walking Connectivity	1,500		1,500	-1,500	0		Scheme removed	Approved Council July 2022. October 2023 Review resulted in budget provision being removed and scheme to be included on future aspirations schedule
20	67 UK Shared Prosperity Fund - Various Grant Funded Schemes	346		346		346		Yes	Approved by Council February 2023. Three year funded programme commenced 2022/23.
	68 Rural England Prosperity Fund- Supporting Businesses and Communities	400		400		400		Yes	Approved by Council February 2023. Two year funded programme commencing in 2023/24.

Spend to 31st March 2023		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Impact of Management Team and Cabinet Review	Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
	69 Garden Communities Infrastructure Fund		290	290		290		Dependent on Third parties	Various schemes will be grant funded
	70 High Chelmer Car Park Lifts	355		355		355		Yes	Approved by Council February 2023. Scheduled for 2025/26.
	71 High Chelmer car Park Waterproofing Levels	500		500		500		Brought Forward to 2024/25	Approved by Council February 2023. Scheduled for 2025/26. Works have become urgent and needs to be rescheduled to 2024/25.
35,201	Grand Total	86,384	47,684	134,068	-16,264	117,804			
				Net Variation	-16,264				
						£000's			
				Latest Approved Council July 2023		139,169			
				Supplementary Estimates Approved for Existing Schemes		-43			
				Completed schemes removed		-5,058			
				Total Approved Budget		134,068			
				<u>Latest Forecast Variations shown above</u>					
				Increased Budgets Require Approval by Council		459			
				Increased Budgets Require Approval Funded		10			
				Decreased budgets		-2,060			
				Decreased Budgets MT/Informa Cabinet Review		-14,704	see comments above		
				Virement From Capital Replacement		31			
				Latest Forecast Budget December 2023		117,804			

Table 27

Capital Schemes Reasons for Variations Greater Than £25,000					
Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Reason
4 Chelmsford Sports and Athletics Centre - Outdoor Track and External Upgrades	350	315	-35	Reduced Budget	Scheme completed and has resulted in an underspend
10 Land Development Site Investigations	365	415	50	Increased budget	Service manager has requested additional budget to complete site investigations. This may need to transfer to revenue depending on the outcome of the investigations and future decisions taken in relation to the sites
14 Land Acquisition Cemetery/Crematorium	6000	4000	-2000	Reduced Budget	A potential site has been identified and the cost of acquisition is forecast to be lower than the budget therefore forecast reduced. If the site is not suitable the original budget may be required
23 Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	343	318	-25	Reduced Budget	Budget not required
29 Civic Offices Improvement Programme	460	491	31	Virement from replacement programme	Virement from replacement budget for replacing floors as not required
49 Public Realm Tindal Square Design and Construction	4388	4727	339	Increased Budget	Although scheme complete still negotiating over the final account. Overspend allocated additional CIL funding
56 S106 Marconi Water Tower	0	30	30	Increased budget fully funded	Proposal to acquire tower for community use. S106 identified for funding.
Variations resulting from Management Team and Informal Cabinet Review - Details shown on Table 26					
1 Riverside Elevations	2000	22	-1978	Reduction in budget	Removed from programme
37 Mass Tree planting and Woodland Creation	4276	1650	-2626	Reduction in budget	Removed from programme
39 Green Initiatives Fund Phase 2	6500	3400	-3100	Reduction in budget	Removed from programme
15 High Chelmer Roof	1500	0	-1500	Reduction in budget	Removed from programme and included on Aspirations List
65 CIL Army and Navy Contribution to ECC	4000	0	-4000	Reduction in budget	Removed from programme and included on Aspirations List
66 CIL ECC East Chelmsford Cycling and Walking Connectivity	1500	0	-1500	Reduction in budget	Removed from programme and included on Aspirations List

TABLE 28 -3 YEAR CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME 2023/24 - 2025/26

CAPITAL ASSET REPLACEMENT PROGRAMME	2023/24			2024/25			2025/26			Total for 3 Year period		
	Latest Approved Budget for 2023/24	Variance for 2023/24 + Cost / - Saving	Total Forecast 2023/24	Original Forecast 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget 2024/25	Original Forecast 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Original Forecast for 2023/24 to 2025/26	Variance for period + Cost / - Saving	Current Forecast for 2023/24 to 2025/26
SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Active Chelmsford												
1 Dovedales Replacement Equipment	17	-10	7	144	-130	14		140	140	161	0	161
2 Riverside Replacement Equipment	145	-46	99	95	53	148	57	2	59	297	9	306
3 Riverside Plant	61	-29	32	10	110	120	35	48	83	106	129	235
4 CSAC Replacement Equipment	64	-32	32	27	32	59	6	-3	3	97	-3	94
5 CSAC Expansion Fitness Room Equipment	105		105			0		45	45	105	45	150
6 CSAC Plant	37	-31	6	10	25	35	5		5	52	-6	46
7 SWFLC Replacement Programme	20	-14	6	14	14	28			0	34	0	34
8 SWFLC Plant Replacement	19	-19	0	20	48	68	18		18	57	29	86
9 SWF 3G Pitch			0	22		22	400	0	400	422	0	422
10 Hylands House Mechanical and Electrical	37	-31	6	25	11	36	25	0	25	87	-20	67
11 Hylands Pavilion Infrastructure			0		6	6			0	0	6	6
12 Hylands Pavilion Skins and Linings	73		73			0			0	73	0	73
13 Hylands Pavilion Equipment	15		15	45		45	79	5	84	139	5	144
14 Hylands House Equipment	5	4	9	35	26	61			0	40	30	70
Connected Chelmsford												
15 Digital Services Replacement Programme	671	-67	604	38	-28	10	21	10	31	730	-85	645
16 Digital Storage			0	16	-16	0	59	9	68	75	-7	68
17 Digital Servers	70	-51	19			0		48	48	70	-3	67
18 Meeting Room Digital Equipment	57		57			0	69	-69	0	126	-69	57
19 Website Upgrade	11	-8	3	0	8	8	139	-139	0	150	-139	11
20 System Upgrade	100	-100	0	9		9			0	109	-100	9
21 System Security	20	-20	0	20		20	20	-20	0	60	-40	20
22 Networks	134		134			0	118		118	252	0	252
23 Investment in Digital Technology - DPO	360	-200	160	15	200	215			0	375	0	375
24 Theatres' Equipment		15	15	220	180	400	51	691	742	271	886	1,157
25 Theatres' Plant		0	0		16	16		6	6	0	22	22
26 Museum Equipment and Vehicles	10	0	10	42	-40	2	18	42	60	70	2	72
27 Museum Platform Lift	12		12			0			0	12	0	12
28 Civic Duties Vehicle	25		25			0			0	25	0	25
				66		0			0			

Variations in excess of £25k see Table 23

CAPITAL ASSET REPLACEMENT PROGRAMME	2023/24			2024/25			2025/26			Total for 3 Year period		
	Latest Approved Budget for 2023/24	Variance for 2023/24 + Cost / - Saving	Total Forecast 2023/24	Original Forecast 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget 2024/25	Original Forecast 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget 2025/26	Original Forecast for 2023/24 to 2025/26	Variance for period + Cost / - Saving	Current Forecast for 2023/24 to 2025/26
SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fairer Chelmsford												
No Schemes			0			0			0	0	0	0
Greener & Safer Chelmsford												
29 CCTV Replacement Equipment	26	-6	20	243	-207	36	39	197	236	308	-16	292
30 CCTV Various Schemes Sites CIL	3		3			0			0	3	0	3
31 CCTV Home Office GRIP Funded		4	4			0			0	0	4	4
32 Crematorium Equipment	61	-21	40	55	30	85	222		222	338	9	347
33 Crematorium Columbarium	14		14	14		14			0	28	0	28
34 Cemetery Plant	10		10			0			0	10	0	10
35 Civic Centre Heating			0			0	32		32	32	0	32
36 Civic Centre Plant	3	-1	2			0	17		17	20	-1	19
37 Civic Centre Floor Replacements	31	-31	0			0			0	31	-31	0
38 Print and Post Room Replacement Equip.			0	5		5	14		14	19	0	19
39 Play Area Replacements		8	8	317	21	338	272		272	589	29	618
40 Sports Equipment, floodlights, Irrigation			0			0			0	0	0	0
41 Parks and Sports Grounds Heating Systems	12		12	43	-43	0		43	43	55	0	55
42 Parks Replacement Vehicles and Equipment	774	-441	333	270	458	728	129	102	231	1,173	119	1,292
43 Melbourne 3G Pitch	4	-4	0	12	-8	4		12	12	16	0	16
44 Waterhouse Lane Depot Heating	3		3			0			0	3	0	3
45 PHPS Vehicles and Electric Chargers		0	0			0			0	0	0	0
46 PHPS Air Monitoring Equipment	70	-70	0		70	70			0	70	0	70
47 Street Lighting	40	-10	30		10	10	21		21	61	0	61
48 Scootas for the Disabled			0	23		23	3	0	3	26	0	26
49 Town Centre Bins			0	32	-32	0		32	32	32	0	32
50 Retail Market Equipment	6	-6	0		6	6			0	6	0	6
51 Retail Market Plant	13	-13	0			0			0	13	-13	0
52 Depot Telescopic Front loader	70	-70	0		93	93			0	70	23	93
53 Route Optimisation System			0	5	-5	0			0	5	-5	0
54 Freight House Plant			0			0	11		11	11	0	11

CAPITAL ASSET REPLACEMENT PROGRAMME	2023/24			2024/25			2025/26			Total for 3 Year period		
	Latest Approved Budget for 2023/24	Variance for 2023/24 + Cost / - Saving	Total Forecast 2023/24	Original Forecast 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget 2024/25	Original Forecast 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget 2025/26	Original Forecast for 2023/24 to 2025/26	Variance for period + Cost / - Saving	Current Forecast for 2023/24 to 2025/26
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
SCHEME DESCRIPTION												
55 Vehicle Wash			0	100	70	170			0	100	70	170
56 Street Cleansing Vehicles	481		481	275	64	339	271		271	1,027	64	1,091
57 Street Cleansing Dog Litter van			0			0			0	0	0	0
58 Street Cleansing Crane Vehicle	76	12	88			0			0	76	12	88
59 Street Cleansing Gully Emptier			0			0	135		135	135	0	135
60 Wet Team Equipment	80	5	85	89	2	91			0	169	7	176
61 Hit Squad Replacements	112		112			0			0	112	0	112
62 Refuse Vehicles	516	-45	471	75		75	1,112	83	1,195	1,703	38	1,741
63 Vehicle Maintenance	53	-53	0	23	56	79		6	6	76	9	85
64 Recycling Vehicles	100	-100	0	401	125	526	878	16	894	1,379	41	1,420
65 Recycling MRF	30		30	25	-5	20			0	55	-5	50
66 Food Vehicles			0	278	0	278			0	278	0	278
67 Prov. for Replacement with Electric Veh.	170	-170	0		100	100		70	70	170	0	170
68 Healthy Home Loans		5	5			0			0	0	5	5
69 Discretionary Loans DFG Funded			0			0			0	0	0	0
70 RIA Loans DFG Funded		2	2			0			0	0	2	2
71 RIA Grants DFG Funded		1	1			0			0	0	1	1
72 Disabled Facility Grants (fully externally funded)	600	455	1,055	1,102		1,102	1,102		1,102	2,804	455	3,259
73 Housing Standards			0			0			0	0	0	0
74 PLACE (Funded)		372	372			0			0	0	372	372
			0			0			0			
Growing Chelmsford			0			0			0			
75 Car Park LED Lighting	8		8			0			0	8	0	8
76 Car Park Pay on Foot Equipment			0	281	-281	0		281	281	281	0	281
77 Car Park Vehicles and Equipment	22	-22	0	10	22	32		22	22	32	22	54
Totals	5,456	-838	4,618	4,485	1,061	5,546	5,378	1,679	7,057	15,319	1,902	17,221
Variations in excess of £25k see Table 23												

<u>Analysis of Variation</u>	<u>2023/24</u>			<u>2024/25</u>			<u>2025/26</u>			<u>Total Variation for Period</u>		
CAPITAL ASSET REPLACEMENT PROGRAMME	Latest Approved Budget for 2023/24	Variance for 2023/24 + Cost / - Saving	Total Forecast 2023/24	Original Forecast 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget 2024/25	Original Forecast 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget or 2025/26	Original Forecast for 2023/24 to 2025/26	Variance for period + Cost / - Saving	Current Forecast for 2023/24 to 2025/26
		£000's			£000's			£000's			£000's	
Rephasing of Schemes to/from later years		-1,494			265			1,001			-228	
Price Variations - Increases Require Approval		50			327			132			509	
Price variations - Decreases		-18			-16						-34	
Reduced Demand		-194			-20			-46			-260	
Supplementary Estimates New - Require Approval		15			21						36	
Supplementary Estimates Funded New - Requires Approval		834									834	
Previous Omission from Replacement Programme - Items exist but not previously included in future replacement programme		0			472			592			1,064	
Removed - to be funded from revenue											0	
Virement		-31									-31	
Enhancement of a replacement item					12						12	
		<u>-838</u>			<u>1,061</u>			<u>1,679</u>			<u>1,902</u>	
<u>Impact of Financing Replacement Programme</u>												
Total Estimated Cost Replacement Programme			4,618			5,546			7,057			17,221
Less Forecast Use of Grants/S106/CIL			-1,467			-1,137			-1,445			-4,049
Net Cost Replacement Programme			3,151			4,409			5,612			13,172
Indicative Cost First Full Year MRP and Interest			602			844			939			
Assumption based on borrowing against full net cost of replacement												

TABLE 29 Explanations for Variations Greater Than £25,000 in Asset Replacement Programme Period 2023/24 - 2025/26

	Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Reason
3	Riverside Plant	106	235	129	Increase - although items currently exist a service review identified they were not included in forecast	-27K Phasing, 5K higher prices, -8K reduced need and 159K replacements identified requiring replacement (Distribution boards, pool moving floor and filter media)
5	CSAC Expansion Fitness Room Equipment	105	150	45	Increase - although items currently exist a service review identified they were not included in forecast	Old gym equipment has been identified that has not been replaced in current fitness room expansion
8	SWFLC Plant Replacement	57	86	29	Increase - although items currently exist a service review identified they were not included in forecast	Fire dampers require replacing - Health and Safety
14	Hylands House Equipment	40	70	30	Increase - although items currently exist a service review identified they were not included in forecast	-1K price variation and 31K of omissions identified
15	Digital Services Replacement Programme	730	645	-85	Reduction - Various	-10K price variation, -85K reduced need, 10K Rephasing forward of spend to 2026/27
18	Meeting Room Digital Equipment	126	57	-69	Increase - Rephasing to earlier year	New supplementary estimate approved for meeting room equipment ahead of previously forecast replacement year

	Scheme Description	Latest Approved Budget	Estimated Budget Required	Variation	Variation Type	Reason
		£000's	£000's	£000's		
19	Website Upgrade	150	11	-139	Reduction - Rephasing to later year	The website replacement has been delayed to a later year
20	System Upgrade	109	9	-100	Reduction - Reduced demand	Document management system has been removed from replacement programme
21	System Security	60	20	-40	Reduction - Reduced demand	Lower forecast expenditure than originally expected
24	Theatres' Equipment	271	1,157	886	Increase - Service has now completed full review and identified additional items	741K of identified replacements identified not in previous forecast, 60K rephased in from a future year, 70K price variations and 15K Back of House Tunnel Lift replacement
37	Civic Centre Floor Replacements	31	0	-31	Reduction - Virement	Budgets have been vired into Civic Office Accommodation Scheme
39	Play Area Replacements	589	618	29	Increase - Price variation and H&S	8K price variation and request for additional £21k for H&S resurfacing works at Chelmer Park
42	Parks Replacement Vehicles and Equipment	1,173	1,292	119	Increase - Various	Price variations of 101K, reduced need of -7K and omitted vehicle replacement of 25K
55	Vehicle Wash	100	170	70	Increase - Price variation	Vehicle wash is beyond serviceable period and replacement is significantly more expensive than previously estimated cost
56	Street Cleansing Vehicles	1,027	1,091	64	Increase - Price variation	Higher costs of replacement vehicles
62	Refuse Vehicles	1,703	1,741	38	Increase - Price variation	Higher costs of replacement vehicles
64	Recycling Vehicles	1,379	1,420	41	Increase - Price variation	Higher costs of replacement vehicles

	Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Reason
72	Disabled Facility Grants (DFG)	2,804	3,259	455	Increase - Spend of full grant allocation	DFG - are assumed fully funded by grant, though this not a certainty. As funding is expected to match spend, only in year variances are shown. Should funding not be provided, then a decision will be needed to determine affordability and priority of spend. The funding of DFG grants is mandatory. The budget provision is based on the level of grant received in previous years and is an annual award.
74	PLACE - Empty Homes Loans and Grants	0	372	372	Increase - 3rd Party Ad hoc loans fully funded	Chelmsford is the lead authority responsible for holding the funds for PLACE. These loans/grants are made on an ad - hoc basis and are dependent upon needs arising.

COUNCIL TAX RESOLUTION

INTRODUCTION

To set the 2024/25 Council Tax for Chelmsford City Council, the Council is asked to approve the information as set out in this Resolution.

Council Tax

The Council Tax Requirements for this Council and the precepts for the other precepting authorities are detailed below.

Chelmsford City Council's council tax requirement is £15,846,897, after allowing for a deficit balance on the Collection Fund of £156,092. This results in an average Band D Council Tax of £221.52.

The Parish Tier Council precepts are detailed in the recommendation below and total £3,508,989. This results in an average Band D Council Tax figure of £49.05.

Essex County Council has set a precept at £108,916,083, after allowing for a deficit balance on the collection fund of £867,512. This results in a Band D Council Tax of £1,522.53.

Police, Fire and Crime Commissioner for Essex has set a precept at £17,627,962, after allowing for a deficit balance on the collection fund of £139,659. This results in a Band D Council Tax of £246.42.

Essex Police, Fire and Crime Commissioner Fire and Rescue Authority has set a precept at £5,910,325, after allowing for a deficit balance on the collection fund of £48,025. This results in a Band D Council Tax of £82.62.

The formal Council Tax Resolution is given below. If the Resolution is approved the Council Tax for 2024/25 will be as follows.

	2023/24	2024/25	Increase	Increase
	£	£	£	%
Chelmsford City Council (average)	215.08	221.52	6.44	2.99%
Essex County Council	1,450.17	1,522.53	72.36	4.99%
Police, Fire and Crime Commissioner for Essex	233.46	246.42	12.96	5.55%
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	80.28	82.62	2.34	2.91%
	1,978.99	2,073.09	94.10	
Parish Tier Councils (average)	45.85	49.05	3.20	6.98%
TOTAL	2,024.84	2,122.14	97.30	

RECOMMENDED that in accordance with the provisions of the Local Government Finance Act 1992 as amended ("the Act"):

The following be approved :-

1 (a)	Council Tax Requirement for 2024/25	£
	Chelmsford City Council	15,846,897
	Parish Tier Councils	<u>3,508,989</u>
	Total Council Tax requirement	<u><u>£19,355,886</u></u>

(b) The individual Parish budgets were set out in Table 11 of the Council report

2 It be noted that the Accountancy Services Manager, under delegated authority, calculated the following amounts as its Council Tax base for the year 2024/25 in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 made under Section 31B(3) of the Act.

(a)	The amount calculated by the Council, in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the year.	<u>71,536.25</u>
-----	--	------------------

(b)	Part of the Council's area (Parish Tier Council, or the City Centre)	2024/25 Tax Base (Band D equivalent)
	BOREHAM	1,437.41
	BROOMFIELD	2,132.17
	CHELMER	3,419.39
	CHELMSFORD GARDEN	3,587.71
	CHIGNAL	325.44
	DANBURY	2,450.25
	EAST HANNINGFIELD	546.84
	GALLEYWOOD	2,097.16
	GOOD EASTER	183.45
	GREAT & LITTLE LEIGHS	1,163.95
	GREAT BADDOW	5,471.98
	GREAT WALTHAM	950.34
	HIGHWOOD	330.91
	LITTLE BADDOW	874.46
	LITTLE WALTHAM	555.16
	MARGARETTING	404.79
	MASHBURY	44.51
	PLESHEY	140.85
	RETTENDON	835.23
	ROXWELL	478.81
	RUNWELL	2,012.92
	SANDON	771.51
	SOUTH HANNINGFIELD	1,230.18
	SOUTH WOODHAM FERRERS	6,115.66
	SPRINGFIELD	2,902.43
	STOCK	1,231.79
	WEST HANNINGFIELD	552.87
	WOODHAM FERRERS & BICKNACRE	1,320.61
	WRITTLE	2,020.17
		45,588.94
	special expense area of CITY CENTRE (non Parished area)	<u>25,947.31</u>
		<u><u>71,536.25</u></u>

Being the amounts calculated by the Council, in accordance with regulation 6 of these Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

3 The following amounts be now calculated by the Council for the year 2024/25 in accordance with Sections 30 to 36 of the Act:-

		£
(a)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (2)(a) to (f) of the Act	150,546,464
(b)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act	-131,190,578

- (c) The amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year (including parish precepts) 19,355,886
- (d) The amount at 3(c) above divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year (including parish precepts) 270.57
- (e) The aggregate amount of all special items referred to in Sections 34(1) and 35 of the Act 5,713,208
- (f) The amount at 3(d) above less the amount given by dividing the amount at 3(e) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates (excluding parish precepts) 190.71

(g) Part of the Council's area (Parish Tier Council, or the City Centre)

	<--- Special Items --->			TOTAL per Band D £
	Basic Council Tax per Band D £	Special Expenses per Band D £	Parish Precepts per Band D £	
BOREHAM	190.71	5.85	71.01	267.57
BROOMFIELD	190.71	29.16	104.13	324.00
CHELMER	190.71	41.58	64.08	296.37
CHELMSFORD GARDEN	190.71	24.75	60.66	276.12
CHIGNAL	190.71	37.80	21.51	250.02
DANBURY	190.71	2.61	155.79	349.11
EAST HANNINGFIELD	190.71	27.00	73.80	291.51
GALLEYWOOD	190.71	34.83	59.31	284.85
GOOD EASTER	190.71	22.23	58.41	271.35
GREAT & LITTLE LEIGHS	190.71	40.14	36.09	266.94
GREAT BADDOW	190.71	9.81	87.66	288.18
GREAT WALTHAM	190.71	27.36	109.44	327.51
HIGHWOOD	190.71	24.66	120.96	336.33
LITTLE BADDOW	190.71	24.21	59.76	274.68
LITTLE WALTHAM	190.71	32.94	99.72	323.37
MARGARETTING	190.71	24.66	30.69	246.06
MASHBURY	190.71	22.23	0.00	212.94
PLESHEY	190.71	22.23	94.05	306.99
RETTENDON	190.71	30.60	57.96	279.27
ROXWELL	190.71	1.71	46.98	239.40
RUNWELL	190.71	22.77	70.56	284.04
SANDON	190.71	27.36	52.29	270.36
SOUTH HANNINGFIELD	190.71	23.94	81.00	295.65
SOUTH WOODHAM FERRERS	190.71	29.34	73.44	293.49
SPRINGFIELD	190.71	42.66	78.30	311.67
STOCK	190.71	23.85	41.94	256.50
WEST HANNINGFIELD	190.71	24.03	56.43	271.17
WOODHAM FERRERS & BICKNACRE	190.71	24.12	76.05	290.88
WRITTLE	190.71	4.05	85.32	280.08
special expense area of CITY CENTRE (non Parished area)	190.71	42.21	0.00	232.92

The amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate. The effect on individual banded properties is shown in Annex A.

(h) Valuation Bands

That the amounts detailed in Annex A being the amounts given by multiplying the amounts at 3(f) and 3(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4

It be noted that for the year 2024/25 Essex County Council, the Police, Fire and Crime Commissioner for Essex and the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown below:-

PRECEPTING AUTHORITY	----- VALUATION BANDS -----							
	A £	B £	C £	D £	E £	F £	G £	H £
Essex County Council	1,015.02	1,184.19	1,353.36	1,522.53	1,860.87	2,199.21	2,537.55	3,045.06
Police, Fire and Crime Commissioner for Essex	164.28	191.66	219.04	246.42	301.18	355.94	410.70	492.84
Essex Police, Fire and Crime Commissioner Fire and Rescue Authority	55.08	64.26	73.44	82.62	100.98	119.34	137.70	165.24

5 Having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the amounts detailed in Annex B attached as the amounts of council tax for the year 2024/25 for each of the categories of dwellings shown.

ANNEX A: Chelmsford City Council - Council taxes 2024/25 - Excluding Essex County Council, Police, Fire & Crime Commissioner for Essex & Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Parish of:-	VALUATION BANDS							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
BOREHAM	178.38	208.11	237.84	267.57	327.03	386.49	445.95	535.14
BROOMFIELD	216.00	252.00	288.00	324.00	396.00	468.00	540.00	648.00
CHELMER	197.58	230.51	263.44	296.37	362.23	428.09	493.95	592.74
CHELMSFORD GARDEN	184.08	214.76	245.44	276.12	337.48	398.84	460.20	552.24
CHIGNAL	166.68	194.46	222.24	250.02	305.58	361.14	416.70	500.04
DANBURY	232.74	271.53	310.32	349.11	426.69	504.27	581.85	698.22
EAST HANNINGFIELD	194.34	226.73	259.12	291.51	356.29	421.07	485.85	583.02
GALLEYWOOD	189.90	221.55	253.20	284.85	348.15	411.45	474.75	569.70
GOOD EASTER	180.90	211.05	241.20	271.35	331.65	391.95	452.25	542.70
GREAT & LITTLE LEIGHS	177.96	207.62	237.28	266.94	326.26	385.58	444.90	533.88
GREAT BADDOW	192.12	224.14	256.16	288.18	352.22	416.26	480.30	576.36
GREAT WALTHAM	218.34	254.73	291.12	327.51	400.29	473.07	545.85	655.02
HIGHWOOD	224.22	261.59	298.96	336.33	411.07	485.81	560.55	672.66
LITTLE BADDOW	183.12	213.64	244.16	274.68	335.72	396.76	457.80	549.36
LITTLE WALTHAM	215.58	251.51	287.44	323.37	395.23	467.09	538.95	646.74
MARGARETTING	164.04	191.38	218.72	246.06	300.74	355.42	410.10	492.12
MASHBURY	141.96	165.62	189.28	212.94	260.26	307.58	354.90	425.88
PLESHEY	204.66	238.77	272.88	306.99	375.21	443.43	511.65	613.98
RETTENDON	186.18	217.21	248.24	279.27	341.33	403.39	465.45	558.54
ROXWELL	159.60	186.20	212.80	239.40	292.60	345.80	399.00	478.80
RUNWELL	189.36	220.92	252.48	284.04	347.16	410.28	473.40	568.08
SANDON	180.24	210.28	240.32	270.36	330.44	390.52	450.60	540.72
SOUTH HANNINGFIELD	197.10	229.95	262.80	295.65	361.35	427.05	492.75	591.30
SOUTH WOODHAM FERRERS	195.66	228.27	260.88	293.49	358.71	423.93	489.15	586.98
SPRINGFIELD	207.78	242.41	277.04	311.67	380.93	450.19	519.45	623.34
STOCK	171.00	199.50	228.00	256.50	313.50	370.50	427.50	513.00
WEST HANNINGFIELD	180.78	210.91	241.04	271.17	331.43	391.69	451.95	542.34
WOODHAM FERRERS & BICKNACRE	193.92	226.24	258.56	290.88	355.52	420.16	484.80	581.76
WRITTLÉ	186.72	217.84	248.96	280.08	342.32	404.56	466.80	560.16
special expense area of CITY CENTRE (non Parished area)	155.28	181.16	207.04	232.92	284.68	336.44	388.20	465.84

ANNEX B: Chelmsford City Council - Council taxes 2024/25 - At taxpayer level

Parish of:-	VALUATION BANDS							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
BOREHAM	1,412.76	1,648.22	1,883.68	2,119.14	2,590.06	3,060.98	3,531.90	4,238.28
BROOMFIELD	1,450.38	1,692.11	1,933.84	2,175.57	2,659.03	3,142.49	3,625.95	4,351.14
CHELMER	1,431.96	1,670.62	1,909.28	2,147.94	2,625.26	3,102.58	3,579.90	4,295.88
CHELMSFORD GARDEN	1,418.46	1,654.87	1,891.28	2,127.69	2,600.51	3,073.33	3,546.15	4,255.38
CHIGNAL	1,401.06	1,634.57	1,868.08	2,101.59	2,568.61	3,035.63	3,502.65	4,203.18
DANBURY	1,467.12	1,711.64	1,956.16	2,200.68	2,689.72	3,178.76	3,667.80	4,401.36
EAST HANNINGFIELD	1,428.72	1,666.84	1,904.96	2,143.08	2,619.32	3,095.56	3,571.80	4,286.16
GALLEYWOOD	1,424.28	1,661.66	1,899.04	2,136.42	2,611.18	3,085.94	3,560.70	4,272.84
GOOD EASTER	1,415.28	1,651.16	1,887.04	2,122.92	2,594.68	3,066.44	3,538.20	4,245.84
GREAT & LITTLE LEIGHS	1,412.34	1,647.73	1,883.12	2,118.51	2,589.29	3,060.07	3,530.85	4,237.02
GREAT BADDOW	1,426.50	1,664.25	1,902.00	2,139.75	2,615.25	3,090.75	3,566.25	4,279.50
GREAT WALTHAM	1,452.72	1,694.84	1,936.96	2,179.08	2,663.32	3,147.56	3,631.80	4,358.16
HIGHWOOD	1,458.60	1,701.70	1,944.80	2,187.90	2,674.10	3,160.30	3,646.50	4,375.80
LITTLE BADDOW	1,417.50	1,653.75	1,890.00	2,126.25	2,598.75	3,071.25	3,543.75	4,252.50
LITTLE WALTHAM	1,449.96	1,691.62	1,933.28	2,174.94	2,658.26	3,141.58	3,624.90	4,349.88
MARGARETTING	1,398.42	1,631.49	1,864.56	2,097.63	2,563.77	3,029.91	3,496.05	4,195.26
MASHBURY	1,376.34	1,605.73	1,835.12	2,064.51	2,523.29	2,982.07	3,440.85	4,129.02
PLESHEY	1,439.04	1,678.88	1,918.72	2,158.56	2,638.24	3,117.92	3,597.60	4,317.12
RETTENDON	1,420.56	1,657.32	1,894.08	2,130.84	2,604.36	3,077.88	3,551.40	4,261.68
ROXWELL	1,393.98	1,626.31	1,858.64	2,090.97	2,555.63	3,020.29	3,484.95	4,181.94
RUNWELL	1,423.74	1,661.03	1,898.32	2,135.61	2,610.19	3,084.77	3,559.35	4,271.22
SANDON	1,414.62	1,650.39	1,886.16	2,121.93	2,593.47	3,065.01	3,536.55	4,243.86
SOUTH HANNINGFIELD	1,431.48	1,670.06	1,908.64	2,147.22	2,624.38	3,101.54	3,578.70	4,294.44
SOUTH WOODHAM FERRERS	1,430.04	1,668.38	1,906.72	2,145.06	2,621.74	3,098.42	3,575.10	4,290.12
SPRINGFIELD	1,442.16	1,682.52	1,922.88	2,163.24	2,643.96	3,124.68	3,605.40	4,326.48
STOCK	1,405.38	1,639.61	1,873.84	2,108.07	2,576.53	3,044.99	3,513.45	4,216.14
WEST HANNINGFIELD	1,415.16	1,651.02	1,886.88	2,122.74	2,594.46	3,066.18	3,537.90	4,245.48
WOODHAM FERRERS & BICKNACRE	1,428.30	1,666.35	1,904.40	2,142.45	2,618.55	3,094.65	3,570.75	4,284.90
WRITTLÉ	1,421.10	1,657.95	1,894.80	2,131.65	2,605.35	3,079.05	3,552.75	4,263.30
special expense area of CITY CENTRE (non Parished area)	1,389.66	1,621.27	1,852.88	2,084.49	2,547.71	3,010.93	3,474.15	4,168.98

6

The increase in Chelmsford City Council's relevant basic amount of Council Tax for 2024/25 is £6.44 (2.99%), which is below the guideline increase issued in accordance with the provisions of section 52ZB Local Government Finance Act 1992. The increase is therefore not excessive.

Parish Tier Council	Council Tax required		<--- Band D --->		
	2023/24	2024/25	2023/24	2024/25	Increase
	£	£	£	£	%
Boreham	95,439	102,071	66.69	71.01	6.48%
Broomfield	201,539	222,023	94.68	104.13	9.98%
Chelmer	187,409	219,114	54.81	64.08	16.91%
Chelmsford Garden	194,338	217,631	58.77	60.66	3.22%
Chignal	8,104	7,000	25.56	21.51	-15.85%
Danbury	360,423	381,725	147.51	155.79	5.61%
East Hanningfield	36,470	40,357	73.80	73.80	0.00%
Galleywood	113,213	124,382	53.46	59.31	10.94%
Good Easter	10,712	10,715	59.58	58.41	-1.96%
Great & Little Leighs	32,967	42,007	28.26	36.09	27.71%
Great Baddow	460,493	479,674	84.42	87.66	3.84%
Great Waltham	84,348	104,005	89.64	109.44	22.09%
Highwood	40,038	40,027	120.15	120.96	0.67%
Little Baddow	49,788	52,258	56.79	59.76	5.23%
Little Waltham	41,874	55,360	78.21	99.72	27.50%
Margaretting	12,415	12,423	31.77	30.69	-3.40%
Mashbury	0	0	0.00	0.00	0.00%
Pleshey	8,277	13,247	59.31	94.05	58.57%
Rettendon	46,827	48,410	56.61	57.96	2.38%
Roxwell	16,482	22,494	34.56	46.98	35.94%
Runwell	118,204	142,032	59.67	70.56	18.25%
Sandon	38,838	40,342	49.95	52.29	4.68%
South Hanningfield	94,047	99,644	77.04	81.00	5.14%
South Woodham Ferrers	442,473	449,134	72.63	73.44	1.12%
Springfield	207,748	227,260	71.55	78.30	9.43%
Stock	51,615	51,661	41.94	41.94	0.00%
West Hanningfield	30,470	31,198	56.52	56.43	-0.16%
Woodham Ferrers & Bicknacre	100,374	100,432	79.74	76.05	-4.63%
Writtle	159,590	172,361	78.84	85.32	8.22%
	<u>3,244,516</u>	<u>3,508,989</u>	1,862.46	2,027.34	



Chelmsford City Council

21 February 2024

Pay Policy Statement

Report by:

Cabinet Member for Connected Chelmsford

Officer Contact:

Dan Sharma-Bird, Democracy Team Manager, dan.sharma-bird@chelmsford.gov.uk, 01245 606523

Purpose

To approve the Council's Pay Policy Statement for 2024-25.

Recommendations

The Council approve the Pay Policy Statement attached as the appendix to this report.

1. Background

The Localism Act 2011 requires that each local authority produce and submit to full Council for approval an annual pay policy statement which should include:

- The Council's policy on the level and elements of remuneration for Council employees including chief officers
- The Council's policy on the remuneration of its lowest paid employee
- The Council's policy on the relationship between the remuneration of its chief officers and other officers
- The Council's policy on other specific aspects of officers' remuneration such as remuneration on recruitment, increases and additions to remuneration, use of

performance related pay and bonuses (where applicable) and termination payment and transparency

- Publication of, and access to, information relating to remuneration of chief officers

2. Proposed Policy Statement

The proposed Policy Statement for 2024-25 is attached and the Council is recommended to approve it.

List of appendices:

Appendix – Pay Policy Statement for 2024-25

Background papers:

None.

Corporate Implications

Legal/Constitutional: An annual pay policy statement needs to be approved by full Council under the Localism Act 2011

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

Consultees: None

Relevant Policies and Strategies:

None relevant

CHELMSFORD CITY COUNCIL
PAY POLICY STATEMENT 2024 - 2025

Introduction

1. The Localism Act 2011 requires pay policy statements to include:
 - The Council's policy on the level and elements of remuneration for Council employees including chief officers
 - The Council's policy on the remuneration of its lowest-paid employees
 - The Council's policy on the relationship between the remuneration of its chief officers and other officers
 - The Council's policy on other specific aspects of officers' remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses (where applicable) and termination payment and transparency
 - Publication of and access to information relating to remuneration of chief officers.
2. For the purpose of this policy a chief officer and non-statutory chief officer under section 2 of the Local Government and Housing Act, 1989 includes the Chief Executive as Head of Paid Services and Council Officers on the Council's Management Team and their direct reports, excluding Personal Assistants and Administration Officers.
3. The Chief Executive is responsible for the overall management of the Council and its resources. He has delegated authority to determine pay for all employees of the Council. The appointment and dismissal of Directors and the Statutory Officers are determined under different arrangements which are set out in the Council's Officer Employment Procedure Rules. The Chief Executive leads on the development and the implementation of the Council's strategies and sets the framework for community engagement. He also has responsibility for the management of elections and the functions of the Council's Electoral Registration process and receives an allowance for acting as the Returning Officer at elections.
4. The Council employs three directors who take strategic lead in various Council Services. Details of their responsibilities are outlined in Part 3 section 4 of the Council's Constitution (a copy of the Council's Members' structure chart is also set out in Part 7 of the Council's Constitution).

The Council's Constitution is available through our website:
<https://www.chelmsford.gov.uk/your-council/councillors-and-decision-making/constitution/>

5. The Council on implementing its Equal Pay and Single Status agreement ensured it had put in place equitable and transparent reward system for its employees. The Council's pay policy statement is therefore underpinned by the principle of equal pay and recognises equal pay between both female and male officers as a legal right under employment law and ensures fair and non-discriminatory remuneration package across the authority. The Council has a

legal duty to report on the gender pay gap. This report is available at the following link <https://gender-pay-gap.service.gov.uk/>

6. This policy statement explains the principles of remuneration and the benefits available to all staff. However, employees' full rights are contained in the standard terms and conditions of employment and their employment contracts (collectively known as "the Council's conditions of service"), but these do not form part of the Council's Pay Policy Statement.
7. Where references are made to links on the Council's Intranet site, copies of those documents can be obtained by contacting the Council's HR team.

Strategic Aims

8. The Council's Pay Policy Statement is supported by the following strategic aims:
 - To demonstrate clarity and transparency around how employees are remunerated whilst ensuring that the Council is well positioned to attract the right calibre of staff with the right skills and experience to respond to the needs of the community.
 - The Council will, at all times, use transparent pay arrangements which are in accordance with current tax legislation
 - The Council strives for excellence in all services and recognises that this will only be achieved by having capable employees in post who are able to deliver the Council's ambitions and priorities.
 - It is the Council's aim to recruit and retain good quality employees and recognises the importance of positioning itself competitively in the market in light of its proximity to London and other neighbouring authorities.
 - To ensure that remuneration package for employees of the Council is affordable, sustainable and achieves value for money for the people of Chelmsford.

Scope

9. The Council's pay policy statement and its principles are applied consistently to all employees. For part-time employees, salary entitlement and the Council's conditions of service are applied pro-rata to comparable full-time employees.
10. Temporary employees' salary entitlement and the Council's conditions of service will be applied on the basis of an equivalent to that of permanent employees.

Determination of Job Grades

11. Chelmsford City Council has adopted the "Hay Job Evaluation Scheme" which systematically establishes the relative values of different jobs. The Scheme has been used to determine the grades of all existing posts and for new posts as they arise. It is the only mechanism within the Council for

determining the grading of posts. Responsibility for administering and coordinating the Job Evaluation Scheme rests with Human Resources.

12. A job can only be considered for re-evaluation where there has been a significant change to the responsibilities and accountabilities of the post. The Manager will need to advise where the changes have come from as another post may be affected resulting in a decrease in the applicable grade of that post. If this results in an increase in grade, this will become effective from the 1st of the month that the authorised job evaluation form was submitted. If this results in a decrease, a pay protection period of 6 months will apply.
13. Any newly created post that is evaluated and result in a total remuneration package valued at £100,000 or more will be subject to full Council approval.
14. If a member of staff disagrees with the assessment of the job evaluation of their post, they will be advised of their right to appeal. A copy of the appeals proforma and the process for appealing is available from the HR team.

Remuneration

15. The Act defines remuneration as including:
 - Pay
 - Charges
 - Fees
 - Allowances
 - Benefits in kind
 - Increases/ enhancements of pension entitlement and
 - Termination Payments.

Normal Pay

16. Normal pay includes all earnings that would be paid during a period of contractual working, but excluding any payments not made on a regular basis.
17. The basic pay of each employee will be based on the grade of the job they are contracted to perform. Grade 2 has a spot rate and Grades 3 and 4 each have two spinal column points. All the other grades consist of four spinal points. The minimum point of a pay grade is not lower than the maximum point of the preceding pay grade. The Council's locally determined pay scales ranges from grade 2 – 20. Jobs with the same evaluation score will be on the same grade.
18. The Council employs apprentices on apprentice pay rates. The lowest graded roles within the Council are grade 2 with a current salary¹ of £21,684. Roles at this grade include cleaners, ice rink assistant, museum assistant, revenues assistant and pitch co-ordinator. The pay for the lowest grade employees is above national minimum pay rates.

¹ Salary as at April 2023

National Pay Support

19. The Council will review the guidance related to any government pay support related to national emergency health or other situations and will access support available in accordance with the rules of the scheme.

Recruitment

20. New entrants will normally be placed at the bottom of the scale unless in exceptional circumstances, it can be demonstrated that they have had experience in the same role with the same level of responsibility in another organisation with the capability to work and function at a high level from the outset. Other considerations to merit an appointment at a higher scale point are when a case is made to establish demonstrable previous skills and experience against proven organisational need. These will need to be agreed by HR in consultation with the Director of Service or the Chief Executive in the case of a Director's appointment. In the case of a Chief Executive appointment, this is covered under part 4 section 8 of the Council's Constitution.

Progression through the Pay Spine

21. New entrants' salary will be reviewed annually on the anniversary of their start date, and they will move up to the next spinal column point on the salary scale if they demonstrate satisfactory performance. Those appointed at the top of the scale point in their grade will not achieve any movement. This is applicable to all staff below Management Team (Director) level.
22. Those at Director level will have their performance reviewed annually by the Chief Executive.
23. The Leader and the Deputy Leader of the Council will be responsible for reviewing the Chief Executive's performance.

Pay Negotiation

24. Annual pay negotiations (cost of living increases) for all staff will take place with the Council's recognised Trade Union - UNISON and any agreed proposals presented to full Council as part of the budget process.

Market Supplements

25. There may be occasions when the evaluated salary for a post fails to attract any suitable candidates and consideration is given to increasing the salary by way of a market supplement. Managers will need to have tried to recruit at the evaluated level and will need to provide HR with salary details of similar jobs within the market.
26. Market supplements will be benchmarked against the salaries for similar jobs annually to ensure they are still required. This will be undertaken by the line manager in conjunction with HR. Should this research result in the market supplement no longer being required, there will be a three month pay protection before withdrawal of the supplement. Directors will then approve these at Management Team.

Honorarium payments

27. These discretionary payments may be given for the following circumstances:
- Covering part of the duties of a post at a higher level due to the absence of a more senior member of staff (e.g. sickness or secondment) – for 4 weeks' or more
 - An honorarium payment may also be paid in recognition of an employee taking on a special project or role. This work will be evaluated to assess suitable payment.

Special Responsibility Allowance

28. An additional payment is made to the Council's Section 151 and Monitoring Officers.

Other Pay

29. Information on the Council's policies on Occupational sick pay and maternity, shared parental leave, paternity and adoption leave can be obtained from the Council's Human Resources Team.

Pensions

30. General details of the Local Government Pension Scheme (LGPS) are available from Human Resources. Both the employee joining the scheme and the Council contribute to the scheme.
31. The rules under which auto-enrolment operates will continue to apply to all Council employees. Eligible staff will be automatically enrolled unless they choose to opt out. This exercise will be repeated every three years on the anniversary of each eligible employee's enrolment.
32. The Council's pension scheme is administered by Essex County Council. They are contactable on: 01245 431912, e- mail: pensionenquiries@essex.gov.uk or on their website: www.essexpensionfund.co.uk

Other Benefits

33. The Council has a subsidised car leasing scheme in place for some qualifying officers. Eligibility for the scheme can be found in the Driving Policy which is available from Human Resources.
34. Employees on Director level pay bands have the option to opt out of the subsidised car lease scheme for a non-pensionable cash equivalent.
35. There is a health scheme in place for all employees of the Council and they also benefit from an occupational health service provision and an Employee Assistance Programme which provides access to Counselling services for example.
36. Access to subsidised car parking is available to all employees.

Reimbursement of Expenditure

37. All employees are required to make the best use of council resources and are obliged to consider the most cost-effective option when incurring any expenditure in the course of their duties.
38. Subsistence allowances are payable when employees incur additional expenditure on meals because they have been unable to follow their normal meal arrangements whilst out on business.
39. Examples of where an employee may need to incur expenditure on meals are as follows:
- Attendance at training courses or seminars where meals or refreshments are not provided
 - Site visits
 - Meetings to other organisations
 - Travelling to locations as part of official duties.

Termination of Employment

40. In the event of cessation of employment, compensation arrangements are made in accordance with the Council's existing agreed policies in accordance with the Local Government (Early Termination of Employment) (Discretionary compensation) (England and Wales) Regulations 2006.

Other Changes

40. Any recommendation for a general increase or reduction in pay or pay related terms and conditions of employment will be negotiated with the Union by the Director of Connected Chelmsford and a representative from Human Resources.

Publicising Senior Salary

41. The details of senior salary for officers earning in excess £50,000 is available on the Council's website under Transparency together information on the pay multiple.

Conclusion

42. The Localism Act 2011 requires relevant authorities in England and Wales to prepare a Pay Policy Statement for each subsequent financial year. This paper sets out the Council's policy statement on pay for employees and sits alongside the overarching pay policy for the Council. The next statement will be reported to Full Council for their approval next year.
43. Should there be a need to amend the existing Pay Policy Statement during the course of the year an appropriate recommendation will be made to Full Council.