

Chelmsford City Council Cabinet

14th October 2025

Mid-Year Financial Review 2025/26

Report by:

Cabinet Member for Finance

Officer Contact:

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Purpose

The primary purpose is to update members on the Council's overall financial outlook for current and future years.

Options

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

Preferred option and reasons

Accept the report's projections and recommendations. The report outlines the likely financial outcomes based on current approved policy and budgets.

Recommendations

That Cabinet

- 1) notes the financial forecast and uses it as a basis to prepare the 2026/27 budget
 - 2) approves an additional £40k on the local plan, above the £200k which has already been approved under delegation (Appendix 1).
 - 3) Approves the amendments to the capital programme set out in Appendix 2
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1. Background

1.1. The Cabinet in January is required to make a proposal to February Council for the 2026/27 Budget. This report forms a key element of the process, enabling Cabinet to;

- develop a robust and balanced budget proposal for 2026/27; and
- manage the Council's finances sustainably up to LGR and to support the development of an effective new unitary council in April 2028.

1.2. A balanced budget for a Council is legally defined as where the expenditure plans of the authority are fully funded from income and reserves.

1.3. The assessment of a robust budget is made by the Council's statutory finance officer (s151 officer) and is included with the budget proposals made to Council each February.

1.4. The Council is legally required to budget and account for its finances in the following categories:

- Revenue: day-to-day expenditure to deliver services such as employee costs
- Capital: broadly, capital is defined as expenditure that 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.

1.5. For Cabinet to assess the current and projected financial position, this report includes projections of:

- Appendix 1 – current year (2025/26) revenue expenditure and income measured against the original budget
- Appendix 2 – capital programme expenditure and funding projection
- Appendix 3 – five-year forecast of revenue expenditure and income
- Appendix 4 – a three-year forecast of revenue reserves

1.6. Using the financial projections, a high-level summary of actions has been produced.

2. High level summary of Findings

2.1. Revenue Budget Monitoring for the current year 2025/26 as detailed in Appendix 1

2.1.1 The General Fund Reserve position is forecast to be £2.18m better than the Original Budget due to the key variations:

- £1,240k estimated additional income from the garden waste subscription service, offset by £247k reduced compost credit income (it is unclear due to the dry weather how much of this could be ongoing)

- £486k additional net grant income from various one-off schemes (predominantly housing related)
- £445k estimated net additional leisure centre membership income
- £268k estimated net additional income from the Theatre
- £183k additional Section 31 grant income relating to the business rate retention scheme
- £224k estimated net overspend on TA costs based on July TA forecast

2.1.2 £779k of additional income is also projected from the Extended Producer Responsibility Scheme, however, it is assumed that this is contributed to a new income fluctuation reserve specifically whilst EPR is at risk of fluctuations in the first few years of the scheme. The result is overall it is assumed to have no impact on the general fund reserve. It is important to note that the Council's budget already commits the authority to spend more on household packaging waste management and recycling than EPR funding provides.

2.1.3 Additional income is the key driver of the improvement in the overall financial position for the Council, with employee expenditure and other expenditure (when grant-related spend is removed) being broadly forecast on budget. Some of this additional income may be one-off, but a significant proportion is ongoing and will be reviewed as part of the 2026/27 Original Budget process.

2.1.4 Appendix 1, page 22, is a list of supplementary budget approvals. The 2025/26 budget assumes £0.3m will be spent and funded from reserves. The approvals to date are £1.118m which is too high a level to be sustainable. The additional spend is necessary, for example it includes a higher pay award £232k (3.4% but lower than the wider economy rate of 4.7%), increased spend on the local plan needed to deliver sufficient land sites to meet Government targets and Cyber security spend £117k. Exceptionally, the additional revenue resources available in this year mean this additional cost can be managed.

2.2. The Capital Programme and its associated financing costs (Appendix 2)

2.2.1 Appendix 2 includes the details of the approved capital programme and any forecast variances.

2.2.2 Within Appendix 2, there is a forecast of the revenue cost of financing the capital programme. It also includes details of forecast borrowing, and CIL income.

2.2.3 Commentary on Appendix 2

- Total Capital schemes – budgeted approved costs are £123.789m, however there is an expected increase in the programme of £5.138m. Most of this is a technical change moving the previously agreed provision of £4.059m for building condition survey works, to now being included on the capital schedule, as the timing of the work has become less uncertain. Delegations to officers and cabinet were established to enable the provision to be spent and the impact

of this has already been included in revenue. Of the remaining £1.079m increase, £0.916m is additional transfers of section 106 to be paid to Runwell Sports and Social Club to deliver sport and recreation facilities and needs no approval. The remaining net variation is an increase of £0.163m (a detailed list of variations over £25k is shown on page 33).

- The capital programme (after allowing for technical adjustments) is a net £0.163m higher and Cabinet is asked to approve that additional funding.
- Total Replacement Programme approved budgets for 2025/26, £8.335m and 2026/27, £5.059m. Following service reviews, £0.532m of the 2025/26 budget needs carrying forward into 2026/27 and an additional budget of £0.056 is needed to meet net cost increases of replacements in 2025/26. The amended budget for 2025/26 is £7.859m. A net reduction in the cost of the forecast replacement cost of £0.059m in 2026/27 means, after rephasing 2025/26 budgets, the revised 2026/27 budget is £5.5328m. (A detailed list of variations over £25k is shown on page 38)
- The net variations on the replacement programme increase costs in 2025/27 by £56k (forecast reduction in 2026/27 of £59k). Cabinet is asked to approve £56k cost increase in 2025/26.

2.3. Revenue 5-year forecast projections

2.3.1 To enable the best start for the new unitary council in April 2028, it is important to continue to project the City Council's financial position for 5 years.

2.3.2 It remains the case that forecasts do not include income from the redevelopment of the Chelmer Waterside site. The implications will only be included in the budget when known, expected to be on the outcome of the marketing exercise due to end in early 2026. The s151 considers that the financial implications are likely only to have a material impact post 2026/27 due to the time needed for the developer to start on site.

2.3.3 The revenue projections include a risk assessment of the changes to Government funding allocations, called Fair Funding 2.0, and these are the first significant changes in local government funding allocations in 14 years. From 1st April 2026 the Council business retention, core grants, housing grants will change. Notification of the final allocations will mostly take place just before Christmas. The government has provided consultation documents which imply the following key elements:

- No change is expected to national funding from Government to local authorities.
- Funding levels will be announced for the next 3 years.
- Council tax increases for districts authorities will be expected to increase by 3%. And 5% for authorities who provide social care. Increases will not be permitted above those limits without a local referendum.

- Temporary accommodation funding will no longer be a separate grant but will form part of the new core funding.
- Business rate retention growth earned by the City Council (all councils) will be lost and the funding reallocated to increase core grants.
- Business rate Retention income in future is likely to be reset every 3 years, meaning the benefits of local growth to the Council will be temporary.
- Social care grants were previously ring-fenced and made directly but according to the government could be included in core funding. This is a key change, as independent modelling suggests that including social care in core funding would reduce the amount received by many councils who provide social care, as the funding is diluted down by the inclusion of other allocation factors such as homelessness or lower-tier services.

2.3.4 The impact on the City Council can be broadly summarised as:

- Gains or losses in funding are likely to be phased in over three years
- It is important to note, though it seems completely counter to the wider sectoral financial pressures, that the Government is intending to include social care funding in the core settlement and therefore higher funding to the City Council is the more likely outcome (& lower funding to some social care authorities).
- Independent modelling has been undertaken and suggests the possible ongoing impact on the City council by the end of 3 years (2028/29) is either a gain of circa £1.5m a year or a loss of £2.3m a year. This is a range of £3.8m. The vast majority of the difference is caused by the social care assumption (gains to the City Council come from including social care in core funding).
- The forecast funding has been made by a third party. The Government has not provided any projected allocations so there is considerable uncertainty.

2.3.5 The estimates of funding changes must be treated with great caution, as; the government is currently only consulting on changes, the large financial impact range to the City Council's finances, the lack of actual estimate figures from Government which could imply doubt, and any gains are effectively met by other council's losing which is difficult given the number of council's already financially in difficulty due to social care costs.

2.3.6 Given the uncertainty in Government funding the budget shortfall projection is shown below in a range, with a more detailed explanation in Appendix 3:

	26/27	27/28	28/29	29/30	30/31
	£000s	£000s	£000s	£000s	£000s
Annual Planning Assumption with No change in Government funding (-surplus/+deficit) and allowance for growth of £300k per year	99	2,077	2,224	1,792	2,075
Upside case Government funding	-768	-380	-390	0	0
Upside case (-surplus/+deficit)	-669	1,697	1,834	1,792	2,075
Downside case Government funding	1,112	600	600	0	0
Downside case (deficit)	1,211	2,677	2,824	1,792	2,075

Main items changing the budget year to year:

- Potential Government funding. The central case assumes no change in government funding, which is unlikely but provides the best way currently to manage the budget process (see actions below)
- Additional income of £1.7m: extended producer responsibilities, garden waste, theatre and planning
- Capital financing of replacement programme and wider programme
- Homelessness costs
- Inflation (including pay – the National Living Wage remains a risk)

2.3.7 In the assumptions above is included a £300k per annum allowance for growth.

2.3.8 Reserves continue to support the budget where appropriate. Projections of reserves are discussed below (detailed figures in Appendix 4)

2.3.9 Members are asked to note the potential for restrictions on Council activities which will start in the period before LGR vesting. Broadly, the limitations are:

- Land disposals worth more than £100,000
- Entering contracts for more than £1m capital
- Entering contracts for more than £100,000 non-capital (whole life costs)

It may be possible that by local agreement the financial value of the limitations could be set higher, but this not certain. The period from which this starts has not yet been determined by Government, it is expected to be either

- Autumn 2026, on the establishment of Joint committees who formally sign off transactions above the limits; or
- May or June 2027 after the establishment of Shadow authorities

This level of restriction could significantly impact on future budgets and forecasts but currently cannot be planned for. Government has said:

“In the meantime, the Government expects councillors and statutory officers to be mindful of their responsibilities.... We expect all councils in an area to work together in sharing information and making decisions that are in the best interests of the whole area”

2.4. Reserves: 3-Year Forecast

2.4.1 The Council reserves are revenue money set aside to fund future known costs, manage risks and cover unexpected costs or loss of income. The Council has earmarked reserves for specific risks and costs, and it has an unearmarked General fund balance to help deal with unexpected costs. The projected level of reserves is shown in detail in Appendix 4; these are not intended for approval but enable consideration of financial risks and how those risks might be managed in the budget process

- The reserves forecast shows a period only up to vesting day (3 years). The City Council has currently no commitments that suggest any significant use beyond that date.
- The s151 officer is required to set a recommended level of general fund reserve (contingency); the target remains at £9m. A review of the recommended level of General balance will take place in the 2026/27 budget in light of changes in perceived risks.
 - The projections allow for several transfers between reserves. The largest is a £4m transfer between reserves to establish funding for LGR costs both pre and post vesting day. The current planning outlines the establishment of a £4m reserve. The s151 officer currently considers that a further review of reserves should be conducted once the Council's new unitary partners are known but the higher the reserves for LGR implementation the more beneficial to the residents of the unitary. Clearly other authorities should also be setting aside reserves or identifying strategy for funding LGR costs. It should be noted, authorities are likely to be allowed to borrow to fund LGR expenditure but that would incur interest and needs to be paid back, adding to future revenue budget pressures.
- There are a range of transfers between reserves identified in Appendix 4, e.g. increasing insurance reserve and reducing the pension reserve. These are discussed in Appendix 4.
- The Council's Government funding and Business Rates Contingency Reserve was established to help manage any cut in Government. The reserve currently has a balance of £4m.

- The General fund balance is forecast to fall from £11.9m to £10.75m in the 3-year forecast period. That is above the £9m target set by s151 officer. However, a full review of the reserves will be reported in January 2026.

3. Actions and Conclusion

3.1. The s151 officer understands that as in previous years the approach proposed is to only plan to balance the 2026/27 budget. Currently no material planning initiatives to balance later years are being undertaken. This is due to uncertainty over Government funding.

3.2. Given the annual approach and forecast position, the budget process will need to:

- Be flexible.
- Review forecasts of temporary accommodation to ensure that all current and expected initiatives and actions are included in the estimates. This should reduce the forecast cost.
- The budget position (forecasts) benefit from large income gains, so robust monitoring will be needed to ensure that income trends continue.
- Build into the budget the implications of any changes in the pension fund valuation.
- As normal, undertake the annual process of service budget reviews by Directors in consultation with cabinet members to find savings with limited impact on services. Overall savings are likely to be limited in value but will contribute to fund any service enhancement or growth.
- Identify any additional revenue funding for service enhancement or essential to maintain services.
- Review the capital programme to ensure spend and any financing costs are needed to effectively meet corporate priorities. The Council's assets should continue to be reviewed and managed to keep costs low and increase income either from disposals or revenue income.
- A review of all fees and charges should be undertaken. This will include using any freedoms by Government to increase planning charges. This is included within the budget forecast.
- If necessary, use reserves to balance off government funding changes in 2026/27, given the position is so uncertain. The forecasts suggest that there could either be a one-off use of £1.1m reserves or a contribution of £0.669m (and reduced future year budget gaps). During 2026/27 financial planning would be developed to produce long-term solutions if reserves were used. The Council's "Government funding and Business rates contingency" was established for this purpose.

3.3. Which actions will be necessary to balance the 2026/27 budget will be dependent on Government funding decisions.

3.4. Members note the potential restrictions that will be placed on the Council's financial actions in the period up to implementation of LGR vesting day

(paragraph 1.3.9) and the potential for those restrictions to be in place as early as Autumn 2026.

List of appendices:

- Appendix 1 - current year 2025/26 revenue expenditure and income measured against the original approved budget
- Appendix 2 - capital programme expenditure and funding
- Appendix 3 – forecast five years of revenue expenditure and income
- Appendix 4 – forecast of three years revenue reserves

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: As detailed in the report.

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

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

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

Risk Management:

A review of the risks is identified in the report.

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

Consultees:

- Management Team
- Monitoring Officer

Relevant Policies and Strategies:

Capital, Investment and Treasury Management Strategies 2025/26 (Full Council February 2025)

Budget report 2025/26 (Full Council February 2025)

Summary Revenue Monitoring

This dashboard highlights the latest forecast for year end spend, income and reserve movements for the current financial year.

The **General Fund Reserve position** is forecast to be **£2.18m better off than the Original Budget** due to the key variations:

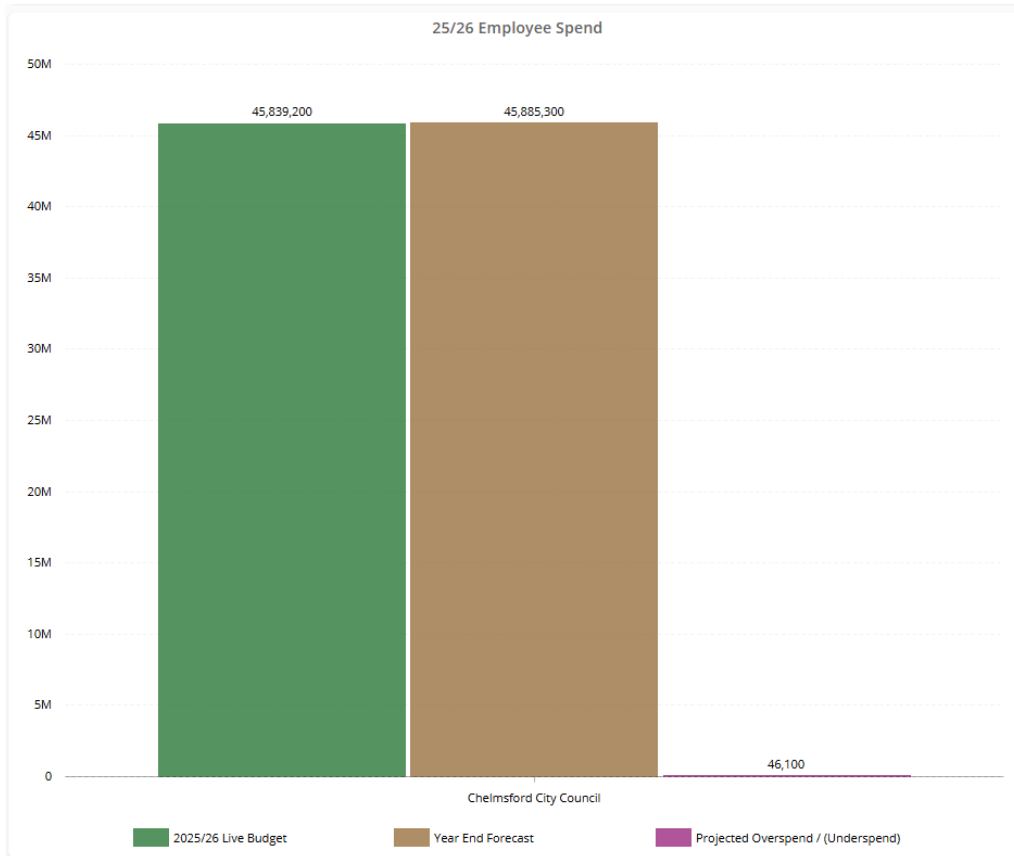
- £1,240k estimated additional income from the garden waste subscription service, offset by £247k reduced compost credit income. It is unclear due to the dry weather how much of this could be ongoing.
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£779k additional income is also projected from the Extended Producer Responsibility Scheme, however it is assumed that this is contributed to a new income fluctuation reserve as shown in the reserves section below.

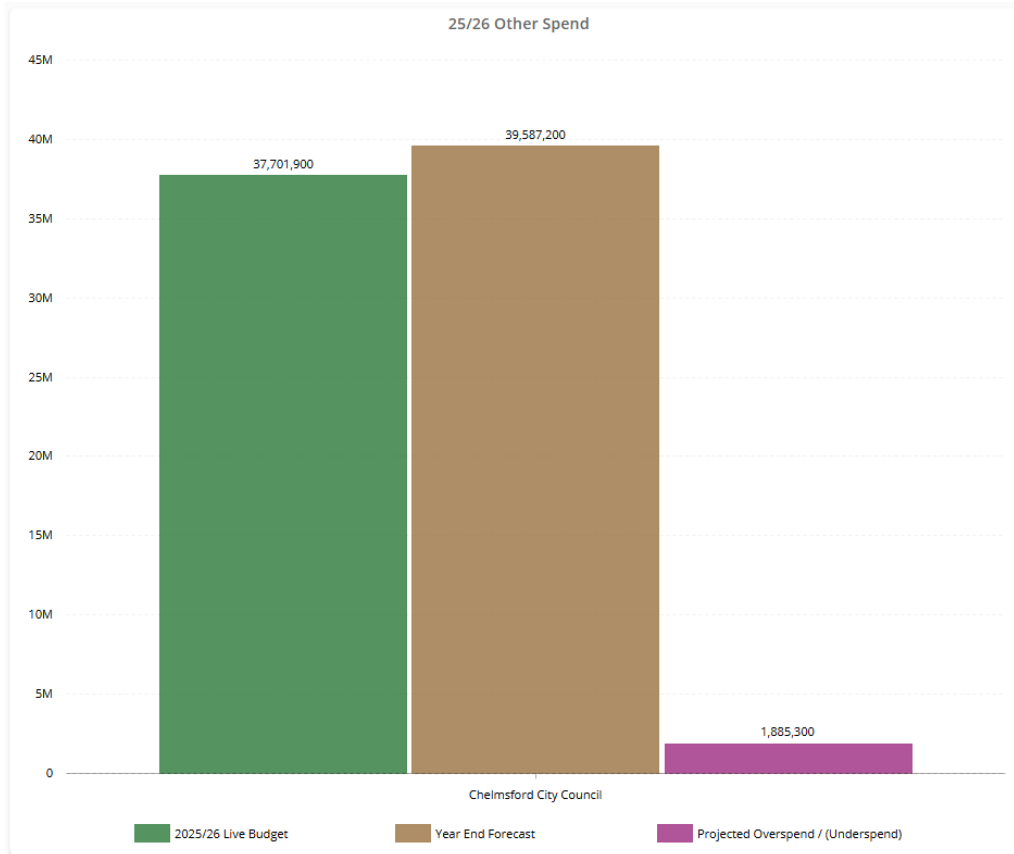
Additional income is the key driver of the overall position for the Council, with employee expenditure and other expenditure (when grant related spend is removed) being broadly forecast on budget.

Some of this additional income may be one-off, but a significant proportion appears to be ongoing, and so will be reviewed as part of the 26/27 Original Budget process.

The charts below highlight the income, expenditure variations and the associated actions and risks, with non-service items and reserves movements at the bottom of this dashboard.

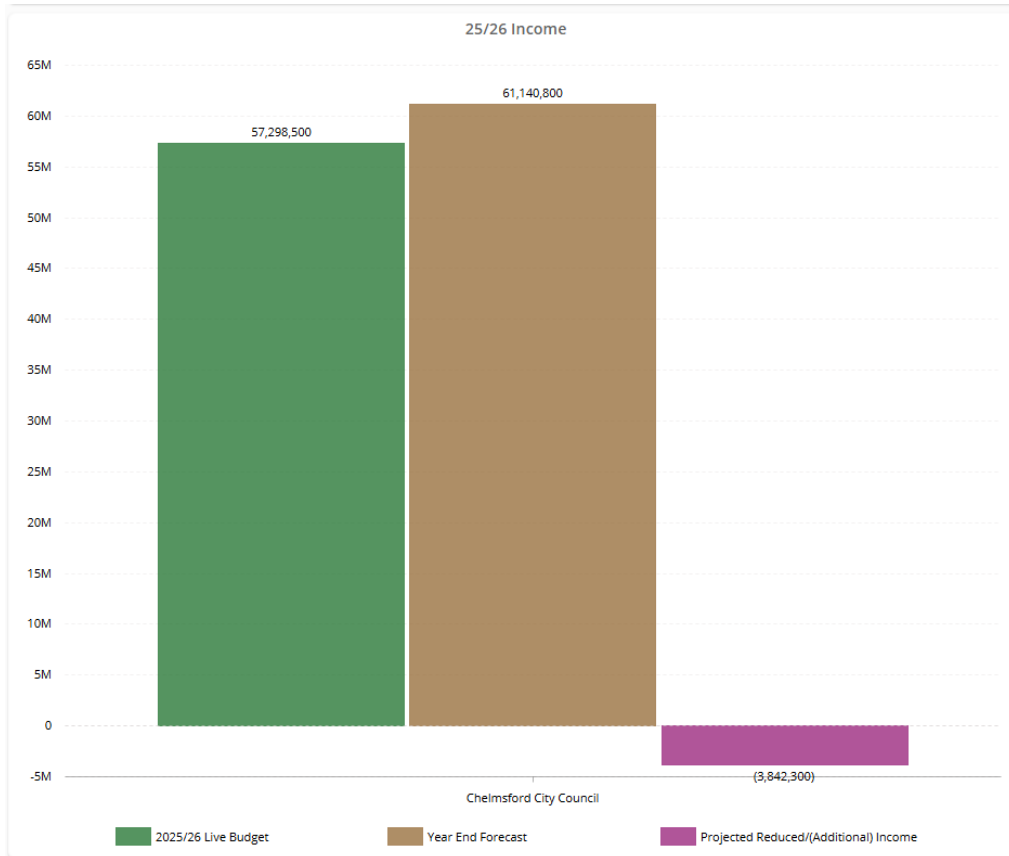


Employee Key Variations, Actions and Risks		
Variations	Actions	Risks
£233k approved overspend following a further 0.5% pay award and £200 unconsolidated payment being agreed. This is funded by supplementary estimate	Pay scales have been increased with the 0.5% award and unconsolidated amounts to be paid in September.	Pay awards outstrip the levels held in the budget
£282k approved overspend across various areas for additional staff or temporary cover funded by supplementary estimates (Legal, Benefits, Planning Enforcement & Housing)	Adverts are in process for several of these roles to be filled	Additional supplementary estimates continue to be needed beyond the £300k central provision
£112k underspend due to staff budgets being utilised in other expenditure budgets instead (Insurance & Culture)	A grant has been made to the Cultural Development Trust and Basildon have been employed for Insurance & Risk work	
£357k underspend due to vacancy factor being achieved (£84k Customer Services, £211k Building Control, £48k Museum, £14k other))	Continue to review throughout the year as further vacancies could materialise or savings could be generated for future years	Service provision is impeded with increasing vacancies



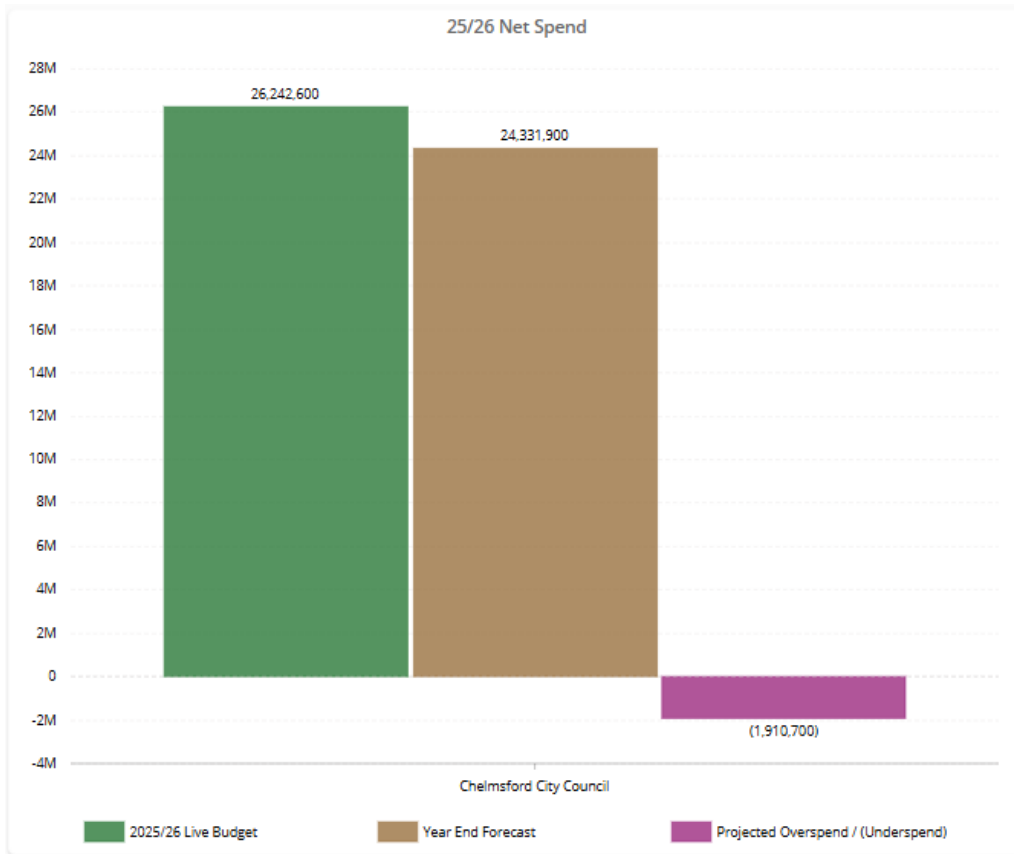
Other Spend Key Variations, Actions and Risks

Variations	Actions	Risks
£532k approved overspends all approved by supplementary estimates (Cyber Security, Council Tax Text Reminder, Local Plan, CGR Work)	Reflect any ongoing spend in future budgets	Supplementary estimate requests continue to outstrip the £300k provision
£187k underspent on Electricity and Gas budgets due to lower unit prices than budgeted	The budgets for 25/26 assume no use of specific reserves for electricity and gas, so all the underspend impacts on general reserves	Unit prices rise again to higher levels seen during the start of the Ukraine war. This risk is mitigated through purchasing energy over a longer period.
£367k overspent on Theatres operational spend due to increased activity, offset by additional income, for a net additional income of £268k	Review budgets as part of the 26/27 Original Budgets and realign given the increased levels of activity	Larger shows are not programmed in for future years
£939k overspent on grant schemes which is offset by increased income below (£221k PHPS, £318k Housing, £218k UKSPF, £58k Culture, £124k Other)	Assess whether any grant income and expenditure is ongoing for future budgets	Grant income falls away but the associated expenditure is still required in future years
£166k underspent on vehicle fuel costs due to a cheaper price agreed as part of the new HVO contract	Assess and realign budgets as part of the 26/27 Original Budgets	Prices for future contracts are higher, the price for the current contract will be reviewed after 6 months
£100k estimated provision for LGR implementation costs	This will be reviewed further and a supplementary sought for the expected costs	
£224k net overspend on TA costs based on a slightly higher caseload than expected in the budget	Further work is being undertaken on the TA forecast to include the expected increase in supported housing provision, which could improve the forecast	Supported housing provision does not reduce the forecast as hoped
£93k estimated overspend on works at the Aquarium funded from the sinking fund for let properties	Works were approved in late 24/25 as a supplementary estimate	The works do not result in filling the vacant suites as intended
£17k various minor underspends across the Council and different budgets	Review whether ongoing with services	



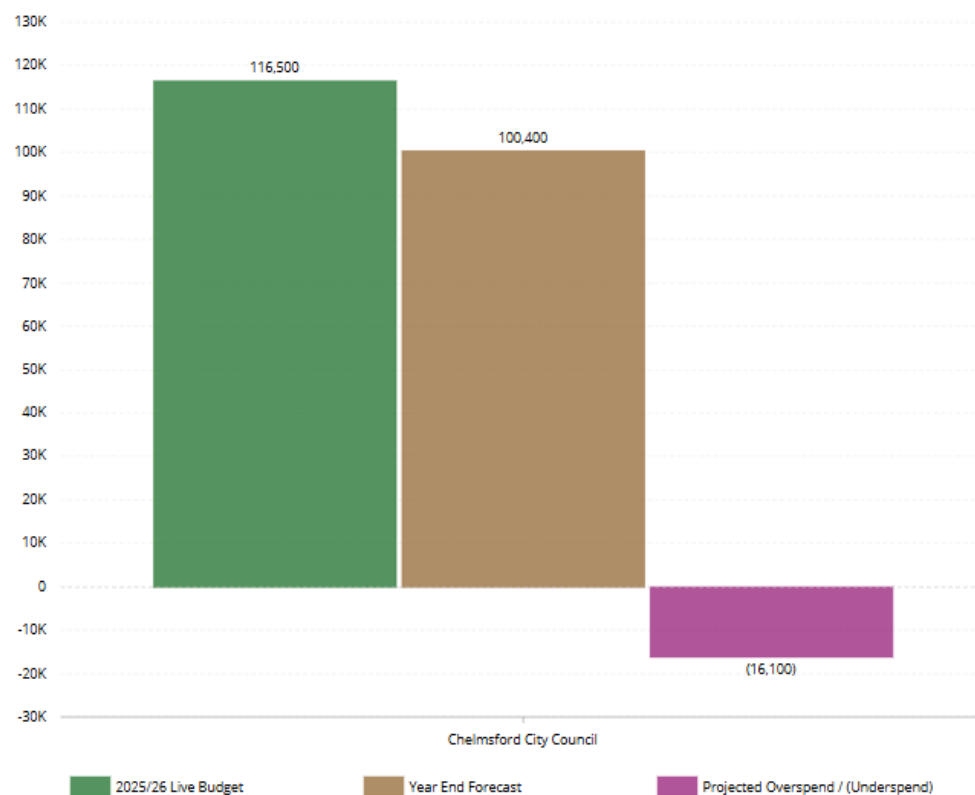
Income Key Variations, Actions and Risks

Variations	Actions	Risks
£1,240k estimated additional income from the new garden waste subscription service given uptake to date	It appears that subscriptions have now peaked and therefore additional income beyond this will be minimal	Large numbers of customers do not renew for the second year
£247k estimated reduced income from garden waste compost credits, due to less reduced volumes collected. It is unclear due to the dry weather how much of this could be ongoing.	Recycling and Waste budgets will be re-aligned as part of the 26/27 Original Budgets	Tonnages collected can be volatile for garden waste due to the weather
£445k additional income from sports centre income due to increased memberships and activity levels	Leisure budgets will be realigned as part of the 26/27 Original Budgets to increase employee and income budgets	Memberships or general activity levels drop off without the corresponding decrease in employee spend
£779k additional grant income from Extended Producer Responsibilities compared to budget	Consider contributing this gain to a reserve (as shown below) to enable budgeting at a higher level	Pack UK do not collect enough contributions from producers to fully pay this grant
£1,425k additional income from various grant schemes across the Council, partly offset by additional spend above (Housing £738k (mostly refugee/asylum), PHPS £268k, UKSPF £218k, £201k other)	Assess whether any grant income and expenditure is ongoing for future budgets	Grant income falls away but the associated expenditure is still required in future years
£220k additional income from High Chelmer following the actual amount received for 24/25	The information for 24/25 is being assessed to see if any of this gain is ongoing	Income is dependent on the market
£863k lower than budget at the Cemetery and Crematorium due to lower mortality rate and increased competition across Essex	Budgets will be reviewed as part of the 26/27 Original Budgets	Further competitors come to the market
£695k estimated additional income at the Theatre due to increased activity, offset by additional spend, for a net additional income of £268k	Review budgets as part of the 26/27 Original Budgets and realign given the increased levels of activity	Larger shows are not programmed in for future years
£109k additional income from Hylands weddings and hires	Budgets will be reviewed as part of the 26/27 Original Budgets	Further competitors come to the market
£42k additional income from various other minor budgets	Review as part of the 26/27 Original Budgets	Trends continue



(£1,910,700)

25/26 Net Spend (HB Subsidy)

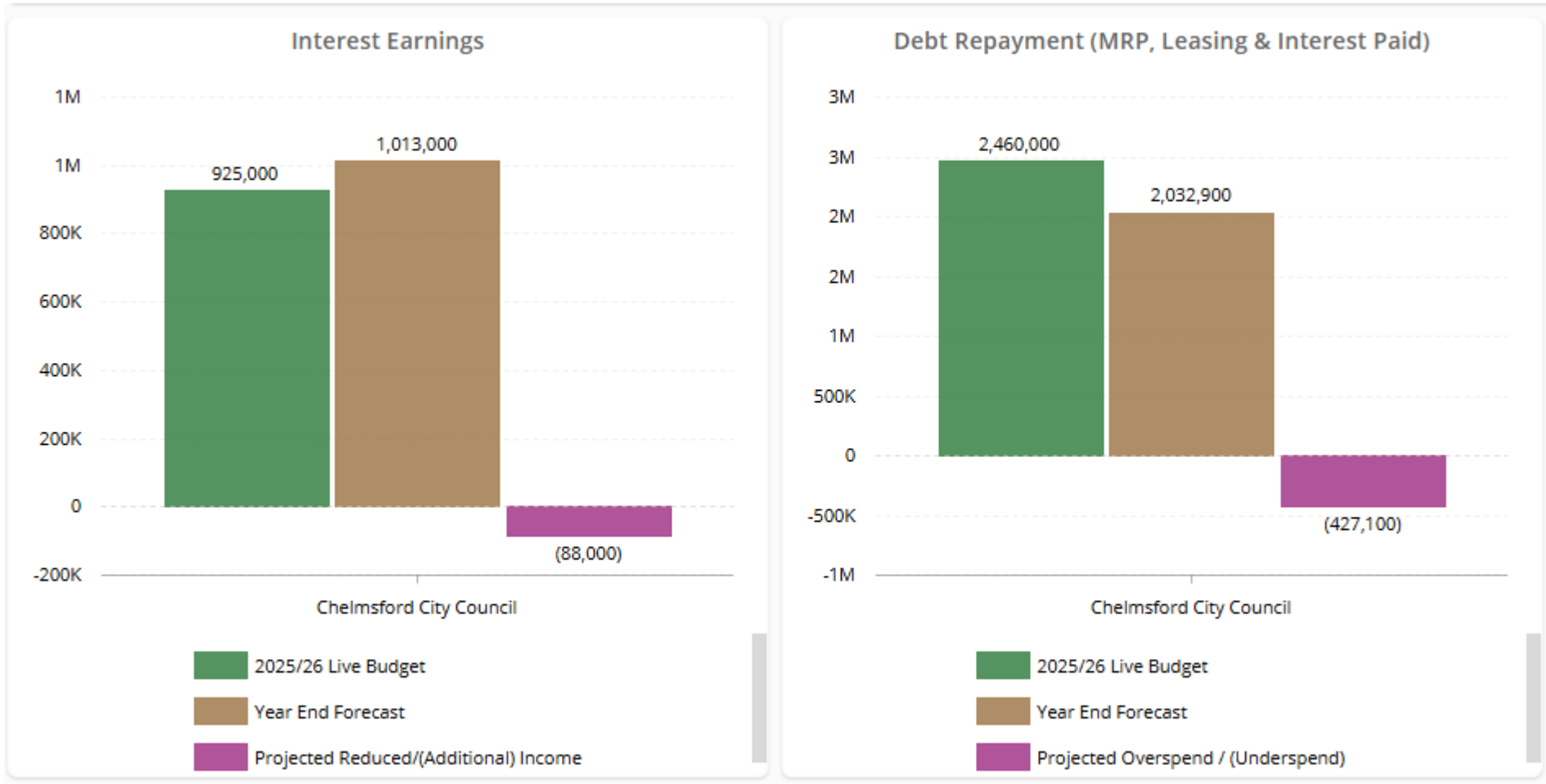


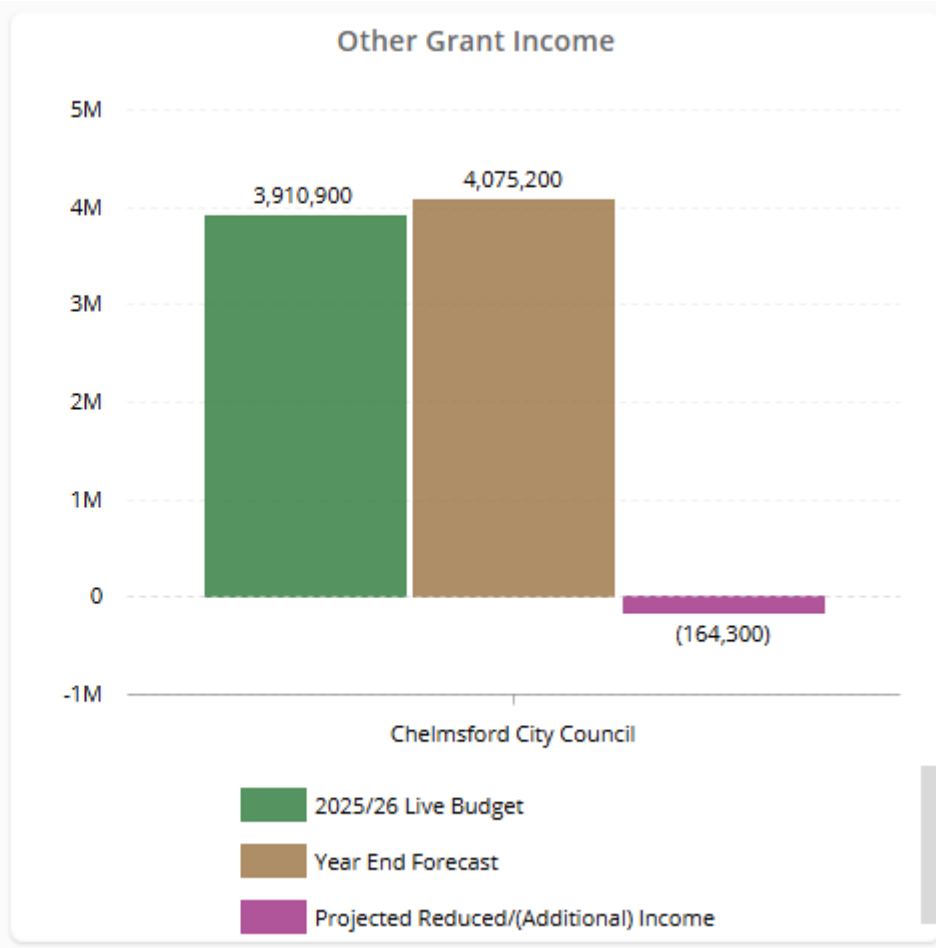
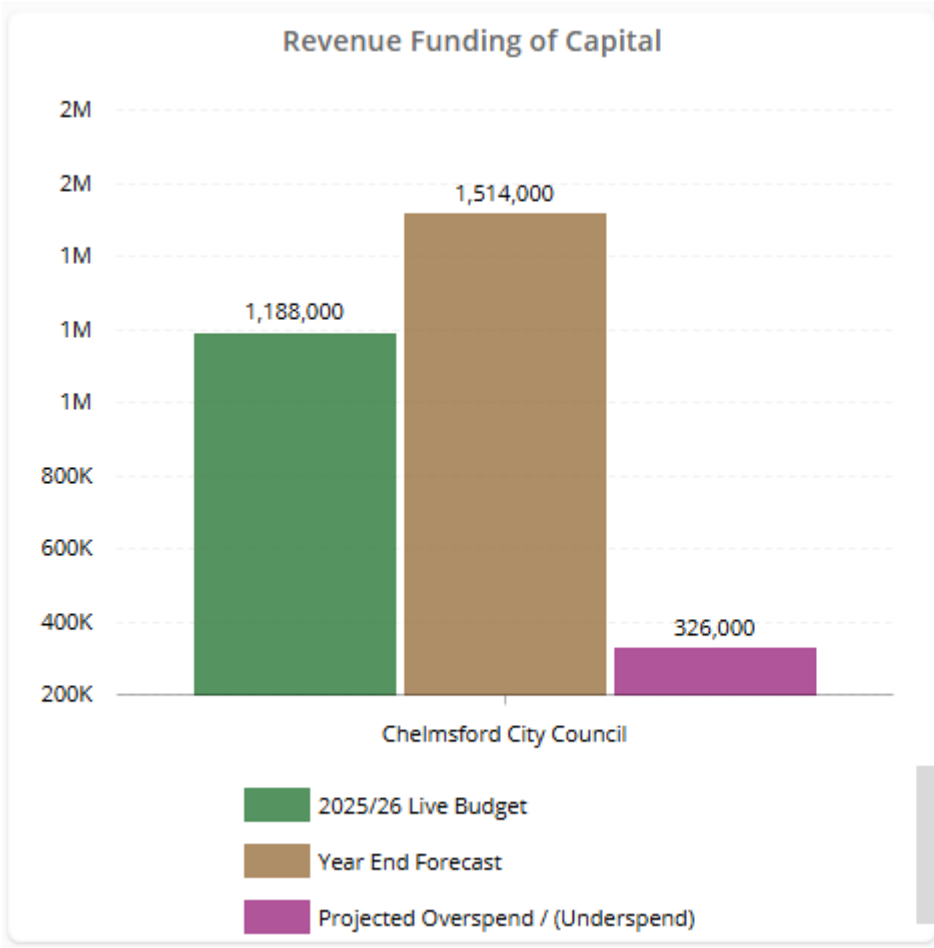
Comments on HB Subsidy Variations

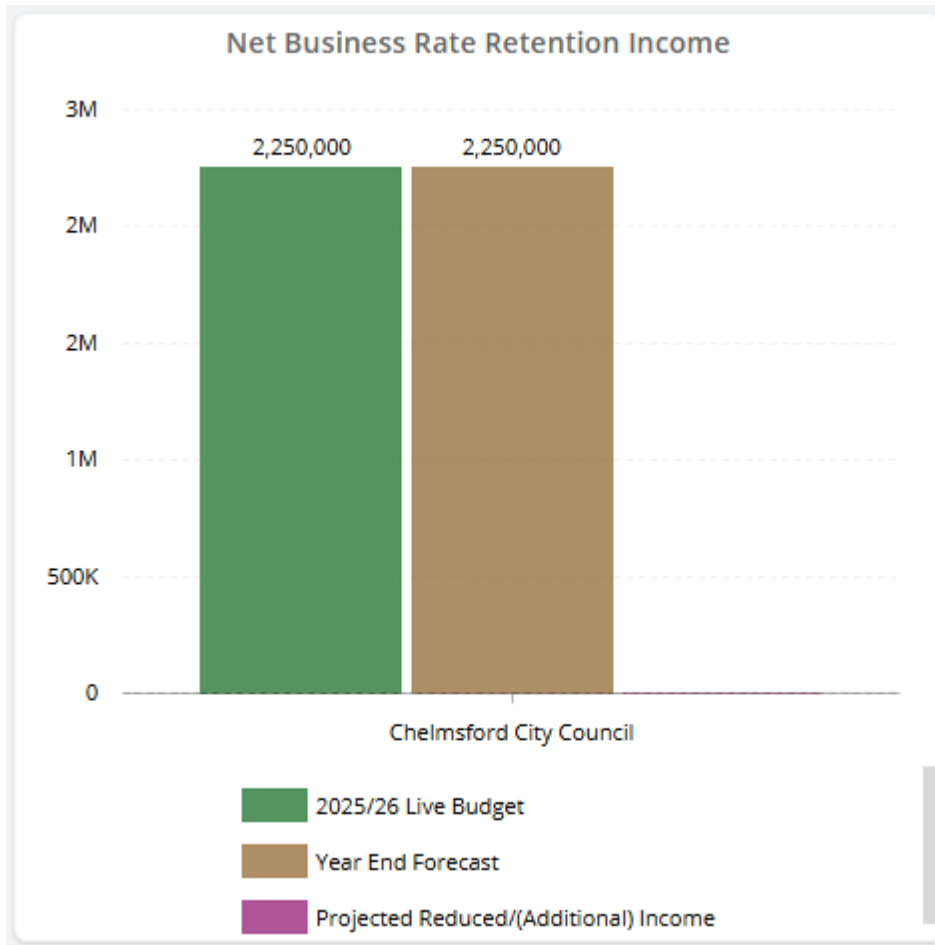
The net budget for HB subsidy (excluding TA Subsidy Loss) is a net cost of £116,500. Budgets were realigned for 25/26, so variations at this stage are expected to be minimal.

Service Overspend/(Underspend) Including HB Subsidy

(£1,926,800)

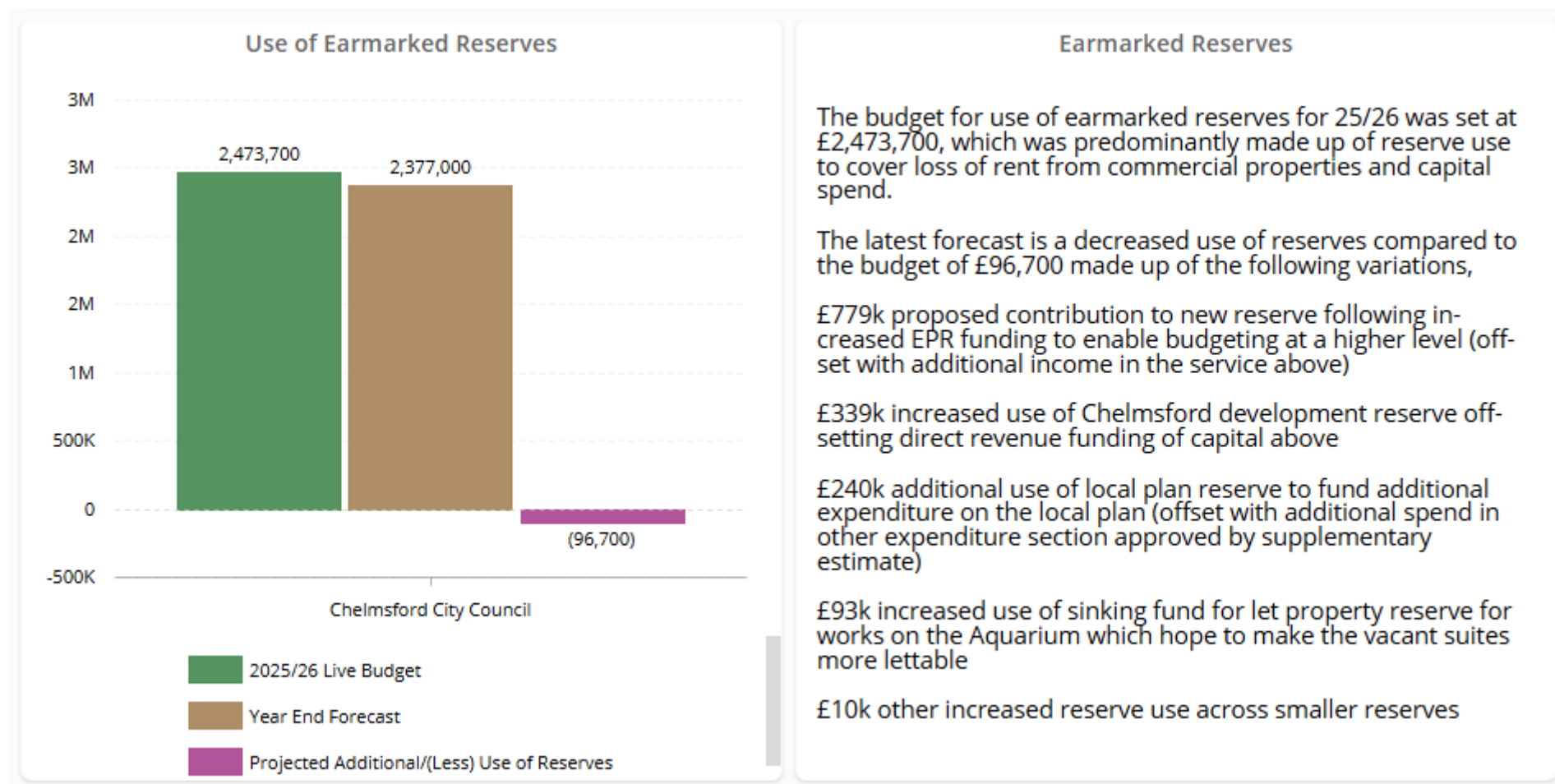






Variations	Actions	Risks
£88k estimated additional income from interest earnings due to higher cash balances than expected including an additional one-off sum received	Review how best to manage the Council's portfolio of investments and borrowing to maximise income and minimise cost to the Council	Spend increases, reducing cash balances and therefore interest earnings, whilst also increasing the likelihood of needing to borrow
£427k underspent on Debt Repayment due to timing of expected borrowing not being as early as originally forecast	Review how best to manage the Council's portfolio of investments and borrowing to maximise income and minimise cost to the Council	Spend increases, reducing cash balances and therefore interest earnings, whilst also increasing the likelihood of needing to borrow
£164k net additional grant income (£183k section 31 grants relating to business rates, (£19k) National Insurance grant)	One-off in nature	
£326k overspent on direct revenue funding of capital offset with reserve movements below	Offset with reserve movements below	
Net Business Rate Income - no variation at this point in the year	Continue to review the position throughout the year, currently looking broadly on budget	The Government has confirmed it will reset the retention scheme in 2026/27 resulting in a possible £2.25m loss to service budget funding. Manage risk via specific contingency.

Chelmsford City Council Variances - Reserves



General Fund

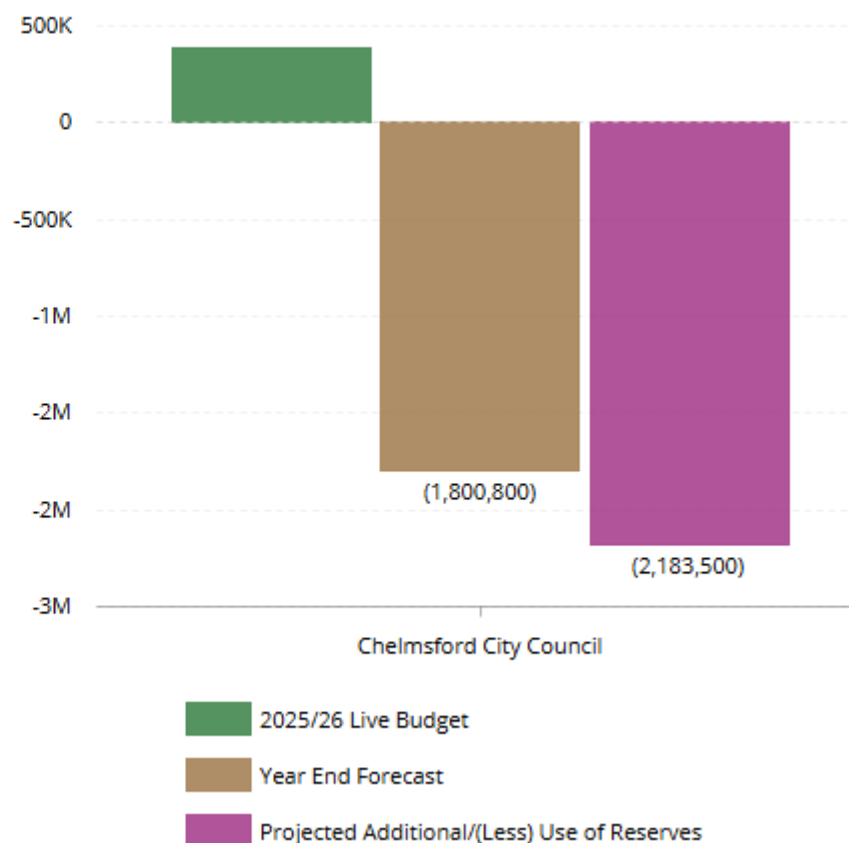
The use of General Fund Reserve Original budget was set at £382,700 for 25/26

The latest forecast is a contribution of £1,800,800, **£2,183,500 better than the budget.**

The key variations that make us this amount are as follows:

- £1,240k estimated additional income from the garden waste subscription service, offset by £247k reduced compost credit income. It is unclear due to the dry weather how much of this could be ongoing.
- £486k additional net grant income from various one-off schemes (predominantly housing related)
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Use of General Fund (Unearmarked Reserves)



Supplementary Estimates Approved - 25/26

Description	Full Amount Requested (covers multiple years)	Estimated Ongoing Revenue Impact
Monitoring Officer Cover	£37,000	£0
Digital Cyber Security Contract	£116,700	£96,500
Planning Enforcement Officer	£59,400	£59,400
Revs & Bens Staff to meet government requirements	£198,700	£112,300
Pay Award ongoing	£52,500	£90,000
Pay Award one off	£180,000	£0
Council Tax - Text reminder (chasing debt)	£10,000	£20,000
Senior Homelessness Officer	£59,400	£0
Local Plan	£240,000*	TBA
CGR - parish review	£165,000	£0
Total	£1,118,700	£378,200

The above is a list of additional spend approved under delegation to date in 2025/26

*£200k is the maximum allowed under delegation and the cost is now estimated at £240k. An additional £40k is sought in this report. This additional funding is necessary to deliver the updated Local Plan as discussed at September Policy Board and to be reported to November Policy Board.

Capital Programme and its Impact on the Revenue Budget

- 1.1 The Council's February budget and capital strategy reports explain in depth the difference between capital and revenue. Broadly, capital can be defined as expenditure that relates to the acquisition or enhancement of assets which have a useful life of more than twelve months and are charged to the Council's balance sheet.
- 1.2 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, must be affordable, prudent, and sustainable.
- 1.3 This report updates the capital programme for changes identified by officers. There are no material changes that require prudential indicators to be updated in 2025/26. New borrowing forecasts are further below which will be confirmed and reapproved in February.
- 1.3.1 The Council's capital programme is shown on page 17 in the Table - Capital schemes and the Table - Replacement Programme on page 24. The changes can be summarised as:
 - Total Capital schemes - budgeted approved costs are £123.789m, however there is an expected increase in the programme of £5.138m. Most of this is a technical change moving the previously agreed provision of £4.059m for building condition survey works, to now being included on the capital schedule, as the timing of the work has become less uncertain. Delegations to officers and cabinet were established to enable the provision to be spent and the impact of this has already been included in revenue. Of the remaining £1.079m increase, £0.916m is additional transfers of section 106 to be paid to Runwell Sports and Social Club to deliver sport and recreation facilities and needs no approval. The remaining net variation is an increase of £0.163m (a detailed list of variations over £25k is shown on page 33).
 - The capital programme (after allowing for technical adjustments) is £0.163m higher and Cabinet is asked to approve that additional funding.
 - Total Replacement Programme approved budgets for 2025/26, £8.335m and 2026/27, £5.059m. Following service reviews, £0.532m of the 2025/26 budget needs carrying forward into 2026/27 and an additional budget of £0.056 is needed to meet net cost increases of replacements in 2025/26. The amended budget for 2025/26 is £7.859m. A net reduction in the cost of the forecast replacement cost of £0.059m in 2026/27 means, after rephasing 2025/26 budgets, the revised 2026/27 budget is £5.5328m (a detailed list of variations over £25k is shown on page 38).
 - The net variations on the replacement programme increase costs in 2025/27 by £56k (forecast reduction in 2026/27 of £59k) Cabinet is asked to approve £56k cost increase in 2025/26.
- 1.3.2 The budget proposals for 2026/27 will include any necessary revisions to the existing programme and any new schemes needed to deliver corporate plans.

Financing the Capital Programme and Implications on the revenue budget

- 1.4 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 under delegation at financial year-end. The s151 Officer will determine the optimal mix of resources at the end of the financial year. 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.
- 1.5 The impact on the Council's revenue budget due to 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 capital schemes
 - A) Direct Revenue Financing of capital schemes. An expenditure line in the Council's Revenue budget which in effect funds capital expenditure instead of, say, borrowing.

B) Borrowing costs. Interest and principal repayments (Minimum Revenue Provision (MRP)) are a revenue cost.

C) Feasibility or design works on schemes that do not lead to an asset are revenue costs. Any such costs may initially have been funded from capital, capital grants, or borrowing, but will need to be charged to revenue resources. This is a requirement under government accounting practice. Although necessary to ascertain viability of some larger schemes, this will have a detrimental impact on revenue reserves so needs to be minimised. Feasibility expenditure is often essential to determine if a scheme is affordable and the best option.

- 1.6 The Council does not have sufficient capital resources available to fund its capital programme so requires the use of borrowing. Borrowing does not necessarily lead to taking out external loans, the Council can and does borrow internal cash such as the general fund balance or unspent CIL (community infrastructure levy, a charge on developers) funds. As internal resources are used to fund capital, and the forecast does not include any material new capital receipts, there is a move towards higher external borrowing. The latest projections of the Council internal and external borrowing are:

Internal and External Borrowing Combined	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Opening Cumulative Borrowing Exc. PSL's	37.576	41.160	56.362	70.823	75.652	78.602	77.855
New Annual Borrowing Approved Schemes	4.666	16.486	16.463	7.355	6.227	3.203	4.012
Less MRP Repaid	-1.082	-1.284	-2.002	-2.526	-3.277	-3.950	-4.375
Cumulative Borrowing Exc. PSL's (Capital Financing Requirement)	41.160	56.362	70.823	75.652	78.602	77.855	77.492

New accounting regulations have been implemented with effect from 1st April 2024 which required us to restate the overall debt position to fully reflect leases the Council had already undertaken becoming categorised as borrowing. The change in real terms has no impact on the Council's liabilities but merely changes how they are accounted for. The debt taken onto the balance sheet for operational vehicle leases was £0.441m. The memorandum table shows the value of debt that has been taken onto the balance sheet for Private Sector Landlord (PSL) Lease agreements.

Memorandum Table PSL Leases cost shown in Service budget	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
From Table Above	41.160	56.362	70.823	75.652	78.602	77.855	77.492
PSL Leases	5.032						
Less MRP Repaid	-0.744	-0.782	-0.814	-0.854	-0.897	-0.941	0.000
Cumulative Borrowing (Capital Financing Requirement)	4.288	3.506	2.692	1.838	0.941	0.000	0.000
Total Cumulative Borrowing (Capital Financing Requirement)	45.448	59.868	73.515	77.490	79.543	77.855	77.492

The borrowing forecast for 2025/26 is £4.4m lower than that made in February Council. However, over the period the borrowing forecasts have not materially changed as it is mainly due to the rephrasing of spend. The level of borrowing is not the key financial metric; it is the cost of financing debt and is that affordable to the Council.

The useful life of the asset determines how quickly we need to repay the debt (via a Minimum Revenue Provision charged to revenue budgets). Most replacement assets such as vehicles and plant tend to have a shorter life than larger assets such as buildings and land. Consequently, the MRP charged to revenue for assets in the replacement programme is significantly higher than the debt repayment charge for one-off schemes which tend to create assets with a longer life.

The MRP repayments of internal and external borrowing are forecast to be:

Breakdown MRP Repaid - short term and long term	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Capital Schemes Approved	0.496	0.665	0.853	1.053	1.146	1.225	1.295
Capital Schemes MRP	0.496	0.665	0.853	1.053	1.146	1.225	1.295
Capital Replacements life less than 10 years	0.013	0.019	0.419	0.849	1.364	1.878	2.237
Capital Replacements Finance Leases	0.573	0.600	0.730	0.624	0.767	0.847	0.843
Capital Replacements MRP	0.586	0.619	1.149	1.473	2.131	2.725	3.080
Total MRP Repaid in Year	1.082	1.284	2.002	2.526	3.277	3.950	4.375

The MRP costs in 2026/27 are lower than the February budget identified as expenditure was slower than planned. The changes however are not material to the budget gap.

- 1.7 The net cost after allowing for interest income and expenditure of financing the capital programme is:

Budgeted Net Revenue Costs Changes - financing costs of Capital Programme	24/25	25/26	26/27	27/28	28/29	29/30	30/31
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Estimate Gross interest income	-1.835	-0.925	-0.734	-0.752	-0.731	-0.747	-0.827
Interest Paid							
Estimate Gross interest costs all borrowing Excluding PSL	0.142	1.178	1.966	2.446	2.692	2.738	2.819
Income gain from existing schemes - removed Self-financing schemes		-0.113	-0.286	-0.284	-0.281	-0.277	-0.274
Removal of non capital funds interest	0.213	0.124	0.180	0.180	0.180	0.180	0.180
Sub-total interest paid	0.355	1.189	1.860	2.342	2.591	2.641	2.725
MRP							
Estimated Existing MRP schemes and leases	1.082	1.284	2.002	2.526	3.277	3.950	4.375
Income gain/saving from existing schemes MRP (self financing not in service budget)		-0.013	-0.063	-0.071	-0.074	-0.078	-0.082
Total MRP	1.082	1.271	1.939	2.455	3.203	3.872	4.293
Net financing cost of capital programme after scheme benefits	-0.398	1.535	3.065	4.045	5.063	5.766	6.191
Change Year on year		1.933	1.530	0.980	1.018	0.703	0.425

The net financing costs forecast for the period are increasing as there is a need to borrow externally to finance the capital expenditure and the Council has limited cash balances to invest. It is worth noting that no revenue or capital benefits from the development of the Chelmer Waterside site are included.

- 1.8 A key funding resource is CIL. The projected receipts and use are shown below. The timing of payments and amounts of CIL contributions are dependent upon housing developments. While it is not expected that the total CIL in the period will change, the start date of developments could impact when contributions are received. There is still uncertainty in the housing market which may lead to delays in contributions being collected. Reductions in CIL income will increase borrowing projections and revenue costs.

It has been agreed that 100% of the strategic CIL contributions due to be collected for South Woodham Ferrers and the Chelmsford Garden Community developments will be ringfenced for use in those areas.

Strategic CIL Table	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Balance 31/3/2024	-22.163						
Forecast CIL receipts to be received	-3.128	-2.107	-5.505	-9.360	-11.072	-11.862	-27.237
Ringfenced Income not available to use			1.761	3.981	5.536	7.531	18.38
CIL receipts committed to Capital Schemes	13.619	7.650	1.220	1.554	2.739	0	0
Cumulative un-ringfenced CIL	-11.672	-6.129	-8.653	-12.478	-15.275	-19.606	-28.463

Change in CIL Forecast	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Current	-3.1	-2.1	-5.5	-9.4	-11.1	-11.9	-27.2
Previous (February Budget Report)	-1.0	-2.3	-2.7	-7.1	-11.9	-11.6	-25.7
+lower expected CIL in year/-higher expected CIL in year	-2.1	0.2	-2.8	-2.3	0.8	-0.3	-1.5
+Cumulative lower expected/- higher expected CIL receipt	-2.1	-1.9	-4.7	-7.0	-6.2	-6.5	-8.0

The Affordability of Capital Expenditure

1.9 The Council revenue forecast has almost always identified budget shortfalls, so it could be said any capital expenditure that increases the revenue financing costs could be deemed to be unaffordable. However, capital expenditure is a form of service delivery and is required to maintain existing service provision; equipment must be bought to maintain, say, collection of domestic waste, and refurbishment of buildings is necessary to ensure they remain fit to deliver services from. The budget process for 2026/27 will again need to make that wider assessment of the need for capital expenditure versus its cost to the revenue budget. The forecast includes the net financing cost for the current capital expenditure budgets.

1.10 Lower than forecast CIL income will mean increased external borrowing. The projections of CIL are a key element in determining the extent of the Capital Programme affordability.

Conclusion

Capital expenditure and financing it, is necessary to maintain service provision and deliver Our Chelmsford, Our Plan. Changes to reduce the cost of the approved programme may be possible but must be judged within the context of how they impact current and future service delivery plans.

Should CIL forecasts change, there will be a need to fund more external borrowing, which will most likely result in higher finance costs and increased forecast budget gaps.

The programme and resourcing will be re-assessed during the autumn as part of the budget and reported back to Cabinet in January.

		<u>CAPITAL SCHEMES</u>	VARIATION IN TOTAL CAPITAL SCHEME COSTS						
			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
		<i>Economic Development and Special Projects (deputy)</i>							
32	1	Public Realm Wayfinding Signs Phase 3	150	5	155		155	No	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC confirmation that grant will be provided.
647	2	Chelmsford Flood Resilience Programme	4,833	0	4,833		4,833	Business case to be developed with EA	This is the unspent budget from the withdrawn Environment Agency (EA). A new programme of works will be brought back to Cabinet at a later date. Agreement for S106 grants to be paid over to the EA £647k paid over to date.
5,034	3	Public Realm Tindal Square Design and Construction	160	4,874	5,034		5,034	Completed - final account for works agreed	Final account still to be paid
32,596	4	Chelmer Waterside Infrastructure - Bow Bridge and Road, Remediation of Land and GPRS Relocation.	15,500	27,810	43,310		43,310	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. The bridge is complete and the remaining works for the GPRS are ongoing.
12,369	5	S106 Beaulieu Park Station	3,017	18,981	21,998	1	21,999	Payment dates relate to receipt of contributions	The expenditure on this scheme will be funded by S106. Additional S106 collected or due to be collected for Beaulieu Station and agreement to pay staged payments over to ECC towards cost of station.
	6	Rural England Prosperity Fund- Supporting Businesses and Communities Grant 2025/26		120	120		120	2025/26 Third party grant applications	New funding has been provided for 2025/26.
	7	UK Shared Prosperity Fund 2025/26 - Various Grant Funded Schemes			0	71	71	2025/26 Third party grant applications	New funding has been provided for 2025/26.
55	8	Automatic Floodgates and Provision of Locks - Feasibility		55	55		55	No	Budget approved September 2020 Cabinet. Feasibility completed and remaining budget vired from Rivers and Waterways Improvements.
83	9	Civic Offices Improvement Programme	460	11	471		471	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. November 2024 £20k vired to Coval Lane Co Working Space scheme. The £383k unspent balance will be used towards the accommodation strategy and a business case will be required to release the funding.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget		
Net Spend to 31/03/2025			£000s	£000s	£000s	£000s	£000s	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
238	10	Green Initiatives Phase 1	500	-182	318		318	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. 2023/24 £37k budget transferred to revenue in relation to spend not capital. Majority of spend on LED lighting upgrades.
108	11	Green Initiatives Fund Phase 2	6,500	-3,100	3,400		3,400	Business Cases to be Developed	Approved in principal Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets. October 2023 Programme reviewed for affordability, budget reduced. Spend on LED lighting upgrades and SWF Pool heating initiatives.
	12	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. Still awaiting agreement from ECC for payment to be made.
		<u>Sustainable Transport (deputy)</u>							
	13	High Chelmer Car Park Lifts	355		355	71	426	Yes	Approved by Council February 2023. Scheduled for 2025/26.
	14	High Chelmer MSCP Improvement Works	148	-46	102		102	No	Approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP. Scheduled for 2025/26,
		ACTIVE							
		<u>Leisure and Heritage</u>							
145	15	Dovedales Sports Centre Refurbishment	1,464	670	2,134		2,134	Scheduled for 2025/26	Budget approved Council March 2022. Delegated authority to the Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Safer and Greener Chelmsford. October 2023 scheme deferred to 2025/26 although work will progress on design. Scheme approved by Urgency November 2024 additional £710k - £644 works and £66k on equipment (see replacement schedule).
	16	CSAC Activity Room	14		14		14	Completed	Approved at Council February 2025.
567	17	S106 Strategic Borough Sports		587	587	916	1,503	Unspecified	Runwell Sports and Social Club grant to cover costs of scheme. Funding agreement in place.
		<u>Voluntary and Community Sector Support</u>							
	18	CIL Grant Chelmsford Society Model Engineers	5		5		5	No - dependent on Third party	CIL funding approved December 2021. Spend approved Council February 2022.
6	19	CIL Grant Hot Box Live			0	7	7	Yes	CIL funding agreed
	20	CIL Mencap				2	2	Yes	
	21	CIL Grant St John's Church		10	10		10	No - dependent on Third party	CIL funding agreed
	22	CIL Grant St Luke's Church Roof				10	10	No - dependent on Third party	

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
48	23	CIL Green Initiatives - Various Schemes	15	51	66		66	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.	
		Public Health and Wellbeing								
		N/A								
		Cultural Services (deputy)								
3,157	24	Theatres' Modernisation	1,000	2,198	3,198		3,198	Main works complete - final account agreed but still outstanding work items to complete	Approved at Council February 2021. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. An additional £500k was approved November 2021. A further £1.246m was approved by Council in March 2022 following the return of tenders for the works. £500k approved Cabinet October 2022. £20k transferred to revenue as spend did not qualify for capital, budget reduced 2023/24.	
	25	Oaklands Museum Staff Room and Kitchen Refit	24		24		24	Yes	Approved by Council February 2023 and scheduled for 2024/25. October 2023 following review rephased to 2026/27	
	26	Oaklands Museum Roof Works	63		63		63	Yes	Approved at Council February 2024. Works scheduled for 2025/26.	
	27	Great Baddow Hoard Gold Coins		180	180		180	Yes	Heritage Lottery Fund Grant	
	28	Great Baddow Hoard Gold Coins Display Case		22	22		22	Yes	Heritage Lottery Fund Grant	
		FAIRER								
		Housing Services								
7,085	29	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisition 20 x Houses	7,094		7,094	-15	7,094	Refurbishment of final property outstanding	Original budget approved at Council February 2022 £8.2m and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Budget for purchase of 20 houses. 17 properties purchased remaining budget deferred to 2023/24. Remaining budget to purchase 1 additional property deferred to 2025/26 due to delays in completion. £1.106m budget not required removed and used to establish new pooled fund. Last house purchased in 2024/25 remaining budget for refurbishment.	
	30	Housing Initiatives Future schemes to be developed	6,964	-2,454	4,510		4,495	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, £6.964m which will be used to assist in the delivery of any new policy determined from the review to assist in the delivery of temporary accommodation. Approved Council February 2024. MT review October removed balance £1.094m.	
8	31	Housing Initiatives - Modular Units Groundworks		250	250		250	Yes	Use of housing initiatives pot. £250k Brownfield Land release Funding secured.	
	32	Housing Initiatives - Sandford Mill House Refurbishment for use as TA		110	110		15	125	Yes	Use of housing initiatives pot.
	33	Housing Initiatives - Grant to YMCA		1,000	1,000		1,000	Yes	Use of housing initiatives pot.	

Net Spend to 31/03/2025			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget		
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
	34	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643	-1,323	320	1	320	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. £1.325m budget has been removed and the S106 funding redirected to the purchase of land for affordable housing.
	35	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grant to CHP for development Lower Anchor Street	600		600		600	Dependent on Third party	Approved Cabinet April 2025 to enable development of 15 units for affordable rent
	36	Local Authority Housing Fund Round 3		3,582	3,582		3,583	Grant Conditions	LAHF3 Grant awarded and will be paid over to CHP for acquisition of properties.
		Corporate Property							
206	37	Land Development Site Investigations - Waterside	365	-39	326		326	Under review	Approved Cabinet November 2021. Additional £50k approved by Council February 2024. £90k transferred to revenue 2024/25 1st Marketing exercise. New marketing exercise currently being undertaken.
4,377	38	Enabling Lockside Growth Area	450	5,706	6,156		6,156	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. Acquisition of remaining 2 properties delayed to 2025/26 and potentially later into 2026/27
44	39	Land Acquisition Cemetery/Crematorium	1,800	1,400	3,200		3,200	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 Council February 2024.
26	40	Refurbishment of Commercially Leased Properties - 1 Springfield Lyons	720	2,230	2,950		2,950	No	Approved at Council February 2024. Delegation to Cabinet to approve a business case following feasibility and to spend within the approved budget. Works required to enable reletting of property. A new approval will be required by Council following tender exercise. Additional £950k budget approved April 2025.
		Building Services							
	41	Various Condition Survey Works		601	601	4,059	4,660	Scheduled over 2 years	A provision was established and approved at February Council for a sum of £4.7m identified from Building Services 5 yearly schedule of condition surveys for works to various buildings. A delegation was put in place. The sum of £601k has been approved via delegation in April 2025 for the first phase of works. The provision will be approved by delegation or business case and has already been included in the revenue financing implications.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
		Greener Chelmsford							
		Parks and Green Spaces							
3	42	Cemetery and Crematorium Infrastructure - proposed new facility	6,800	-6,500	300		300	Spend to get scheme to planning approval	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme. MT review October 2024 - decision to remove scheme to Unfunded Priorities List as uncertainty with scheme and scheme costs.
40	43	Chancellor Park Pavilion Works	46		46		46	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2024/25.
14	44	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.
	45	Rivers and Waterways Improvements	600	-55	545		545	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. Start of three year programme deferred to 2024/25. MT Review October 2024 deferred scheme to 2027/28. £52k vired from underspend on Lockgates Feasibility scheme number 8.
610	46	Mass Tree planting and Woodland Creation	4,400	-2,690	1,710		1,710	Reviewed Annually	Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places, S151 Officer and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22. Spend will now occur over longer period to 2029/30. Budget reduced £2.6m reduction reported to Council February 2024. Spend in relation to revenue transferred and budgets reduced annually. £23k transferred to revenue in 2024/25. Forecast spend increased by £100k over remaining years.
	47	S106 Beaulieu Park Sport Pitches Top up	800		800		800	Dependent on third party	Approved February 2025 Council
		Planning							
283	48	Garden Communities Infrastructure Fund		290	290		290	Main Works complete	Various schemes will be grant funded
		SAFER							
		Community Safety							
	49	Market Road Conveniences Accessibility	20		20		20	No	Approved by Council February 2023. Scheduled for 2023/24.
114	50	Public Convenience Refurbishment - Admirals and Central Park	168		168	50	218	No	Approved by Council February 2023 £84k each site. Two year programme scheduled to commence 2023/24. Central Park completed £114k. Remaining budget for Admirals Park £54k.
151	51	Community Flood Improvements	184	1	185		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.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
		Waste Management and Recycling							
550	52	Chelmsford Indoor Market Refurbishment	500	100	600	-50	550	Complete	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.
	53	Retail Market Drainage Improvements	31		31		31	Deferred to 2025/26	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.
	54	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.
	55	Retail Market Canopy Roof Liquid System	90		90		90	Deferred to 2026/27	Approved by Council February 2024. Works scheduled for 2025/26. MT review October 2024 deferred scheme to 2026/27
58	56	Freighter House Depot Resurfacing Works	216		216		216	Yes	Approved at Council February 2023. Five year programme scheduled to commence 2024/25.
		Support Services (deputy)							
		N/A							
68,654		Grand Total	69,334	54,455	123,789	5,138	128,927		
					Net Variation	5,138			

Reasons for Variations Greater Than £25,000							Reason
	Scheme Description	Latest Approved Budget	Estimated Budget Required	Variation	Variation Type	Percentage Change	
		£000's	£000's	£000's			
7	UK Shared Prosperity Fund	0	71	71	New provision fully funded	N/A	New grant allocation for 2025/26
13	High Chelmer Car Park Lifts	355	426	71	Increased budget	20.00%	Based on returned tenders for the works an additional budget is required. This has now been approved by supplementary estimate.
17	S106 Strategic Borough Sports	587	1,503	916	Increased budget fully funded	N/A	This is now based on the full contribution the Council is providing to Runwell Sports and Social Club. An agreement is already in place for the transfer of the contributions against spends for works.
41	Various Condition Survey Works	601	4,660	4,059	Previously agreed Provision now reported with cost of capital scheme	N/A	The £4.059m is the remaining balance on the provision and has already been included in previous financing costs. The £4.059m needs to be approved either by delegation or business case submitted to Cabinet to release the funding for works to commence.
50	Public Convenience Refurbishment - Admirals and Central Park	168	218	50	Increased budget	29.76%	An additional budget is required to carry out the refurbishment to the toilets in Admirals Park. The original provision was £84k for each of the sites. Central Park came in over budget at £114k and the estimate for Admirals Park is £104k. This will be funded from CIL £54k previously approved and the additional £50k will be potential borrowing.
52	Chelmsford Indoor Market Refurbishment	600	550	-50	Reduced budget	-8.33%	The remaining budget had been held back for additional spend which would have been undertaken in conjunction with a proposed scheme for market square. As there is no scheme coming forward this budget is not required.

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME										
		2025/26				2026/27				
		VARIATIONS FROM LATEST APPROVED ESTIMATE				VARIATIONS FROM LATEST APPROVED ESTIMATE				
		Analysis of Variations				Variations				
CAPITAL ASSET REPLACEMENT PROGRAMME	Latest Approved Budget for 2025/26	Change in Scheme Phasing	More/Less (-) Than Approved Budgets	Net Variance for 2025/26 Additional Cost	Total Proposed Budget 2025/26	Original Approved Budget for 2026/27	Re phasing from 2025/26	More/Less(-) Than Approved Budgets	Net Variance for 2026/27 Additional Cost	Total Proposed Budget Requirement for 2026/27
SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LEADER										
Sustainable Transport (Deputy)										
1 Car Park Pay on Foot Equipment	341			0	341				0	0
2 Car Park Vehicles and Equipment	54			0	54	3			0	3
Active										
Leisure and Heritage										
3 Dovedales Replacement Equipment	220			0	220	3			0	3
4 Riverside Replacement Equipment	85		-10	-10	75	103			0	103
5 Riverside Dryside Locker Keyless System	11				11				0	0
6 Riverside Ice Rink Seating	21				21				0	0
7 Riverside Magic Water System	14				14				0	0
8 Riverside Studio 2 Upgrade - AV Equipment	5				5				0	0
9 Riverside Plant	101		21	21	122	38			0	38
10 CSAC Replacement Equipment	38			0	38	16			0	16
11 CSAC Expansion Fitness Room Equipment	45			0	45				0	0
12 CSAC Plant	30			0	30				0	0
13 SWFLC Replacement Programme	31			0	31	3			0	3
14 SWFLC Plant Replacement	57		40	40	97	6			0	6
15 SWF 3G Pitch	21			0	21	400			0	400
16 Hylands House Mechanical and Electrical	25			0	25				0	0
17 Hylands Pavilion Infrastructure	31		3	3	34				0	0
18 Hylands Pavilion Equipment	60			0	60				0	0
19 Hylands House Equipment	30			0	30	8			0	8
Cultural Services (Deputy)										
20 Theatres' Equipment	248	-100		-100	148	721	100	3	103	824
21 Theatres' Equipment - Throw Lens	0			0	0				0	0
22 Theatres' Plant	6			0	6				0	0
23 Museum Equipment and Vehicles	34			0	34	84			0	84

		2025/26				2026/27				
		VARIATIONS FROM LATEST APPROVED ESTIMATE				VARIATIONS FROM LATEST APPROVED ESTIMATE				
		Analysis of Variations				Variations				
CAPITAL ASSET REPLACEMENT PROGRAMME	Latest Approved Budget for 2025/26	Change in Scheme Phasing	More/Less (-) Than Approved Budgets	Net Variance for 2025/26 Additional Cost	Total Proposed Budget 2025/26	Original Approved Budget for 2026/27	Re phasing from 2025/26	More/Less(-) Than Approved Budgets	Net Variance for 2026/27 Additional Cost	Total Proposed Budget Requirement for 2026/27
SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fairer										
<u>Building Services</u>										
24 Print and Post Room Replacement Equip.	19			0	19				0	0
25 Civic Centre Stairlift	0			0	0	9			0	9
26 Pool Cars						50			0	50
Greener										
<u>Parks and Green Spaces</u>										
27 Crematorium Equipment	170			0	170	119			0	119
28 Crematorium Columbarium	14			0	14	14			0	14
29 Play Area Replacements	378			0	378	254			0	254
30 Parks Replacement Vehicles and Equipment	877			0	877	429			0	429
31 Melbourne 3G Pitch	16			0	16	3			0	3
32 Chelmer Park Artificial Pitch	0			0	0				0	0
33 Parks and Sports Grounds Heating Systems						43			0	43
34 Hylands Car Park Equipment						8			0	8
Safer										
<u>Community Safety</u>										
35 CCTV Replacement Equipment	141			0	141	279			0	279
36 CCTV Various Schemes Sites CIL	3			0	3				0	0
37 PHPS Air Monitoring Equipment	68			0	68				0	0
38 PHPS Vehicles						28			0	28
39 Healthy Home Loans	0		2	2	2				0	0
40 Discretionary Loans DFG Funded	0			0	0				0	0
41 RIA Loans DFG Funded	0			0	0				0	0
42 RIA Grants DFG Funded	0			0	0				0	0
43 Disabled Facility Grants (fully externally funded)	1,367			0	1,367				0	0
44 Social Capital Funding Projects DFG funded	63			0	63				0	0
<u>Waste Management and Recycling</u>										
45 Scootas for the Disabled	27	-20		-20	7		20		20	20

		2025/26					2026/27				
		VARIATIONS FROM LATEST APPROVED ESTIMATE					VARIATIONS FROM LATEST APPROVED ESTIMATE				
		Analysis of Variations					Variations				
CAPITAL ASSET REPLACEMENT PROGRAMME		Latest Approved Budget for 2025/26	Change in Scheme Phasing	More/Less (-) Than Approved Budgets	Net Variance for 2025/26 Additional Cost	Total Proposed Budget 2025/26	Original Approved Budget for 2026/27	Re phasing from 2025/26	More/Less(-) Than Approved Budgets	Net Variance for 2026/27 Additional Cost	Total Proposed Budget Requirement for 2026/27
SCHEME DESCRIPTION		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
46	Town Centre Bins	32	-32		-32	0		32		32	32
47	Public Convenience Van						32			0	32
48	Love Your Chelmsford van						32			0	32
49	Depot Telescopic Front loader	0			0	0				0	0
50	Vehicle Wash	0			0	0				0	0
51	Street Cleansing Vehicles	644			0	644				0	0
52	Street Cleansing Equipment	3			0	3				0	0
53	Street Cleansing Crane Vehicle	88			0	88				0	0
54	Street Cleansing Gully Emptier	190	-190		-190	0		190	30	220	220
55	Wet Team Equipment	107			0	107				0	0
56	Hit Squad Replacements	89			0	89				0	0
57	Refuse Vehicles	975			0	975	725		-35	-35	690
58	Vehicle Maintenance	14			0	14	38			0	38
59	Recycling Vehicles	952			0	952	1,050		-57	-57	993
60	Recycling MRF	20			0	20	20			0	20
61	Food Vehicles	0			0	0				0	0
62	Prov. for Replacement with Electric Veh.	100	-100		-100	0	70	100		100	170
	Support Services (Deputy)										
63	Digital Services Replacement Programme	12			0	12	6			0	6
64	Digital Storage	68			0	68				0	0
65	Digital Servers	0			0	0	48			0	48
66	Meeting Room Digital Equipment	0			0	0				0	0
67	Website Upgrade	6			0	6	139			0	139
68	System Upgrade	9			0	9				0	0
69	System Security	20			0	20				0	0
70	Networks	0			0	0				0	0
71	Wifi Hardware	115			0	115				0	0
72	Investment in Digital Technology - DPO	240	-90		-90	150	128	90		90	218
73	Civic Duties Vehicle	0			0	0				0	0
74	Provision Increases in Prices 2026/27 Delegation to S151	0			0	0	150			0	150
Totals		8,335	-532	56	-476	7,859	5,059	532	-59	473	5,532
				56				473			

		2025/26 Analysis of Forecast Variations		2026/27 Analysis of Forecast Variations	
		£000's		£000's	
		Rephasing of Schemes to 2026/27	-532	Rephasing of Schemes from 2025/26	532
		Price Variations Increases to be approved	66	Price Variations Increases to be approved	33
		Price variations Decreases	-10	Price Variations Decreases	-92
			<u>-476</u>		<u>473</u>

Reasons for Variations Greater Than £25,000 in Asset Replacement Programme						
Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason
<u>2025/26</u>						
<u>Active</u>						
14 SWFLC Plant Replacement	57	97	40	Plant failure and higher prices than budgeted	70.18%	Hydraulic rams system for floating floor in need of urgent replacement with existing setup 50K where 12K offset by existing budgets for replacement. There will result in a possible 2 week closure in pool resulting a loss of £20K income while works take place, 2K price variation.
<u>Cultural Services (Deputy)</u>						
20 Theatres' Equipment	248	148	-100	Rephasing of spend to 2026/27	-40.32%	Service have rescheduled replacement to 2026/27
<u>Waste Management and Recycling</u>						
46 Town Centre Bins	32	0	-32	Rephasing of spend to 2026/27	-100.00%	Service review do not require replacement in current year
54 Gully Cleanser	190	0	-190	Rephasing of spend to 2026/27	-100.00%	Lead in time for original replacement model is longer than expected
62 Provision for Replacement Electric Vehicles	100	0	-100	Rephasing of spend to 2026/27	-100.00%	Suitable vehicles for electric replacement not found
<u>Support Services (Deputy)</u>						
67 Investment in Digital Technology - DPO	240	150	-90	Rephasing of spend to 2026/27	-37.50%	Budgets have been deferred to 2026/27 awaiting for schemes to be brought forward for funding.
<u>2026/27</u>						
<u>Cultural Services (Deputy)</u>						
20 Theatres' Equipment	721	824	103	Rephasing of spend from 2025/26	14.29%	See above
<u>Waste Management and Recycling</u>						
46 Town Centre Bins	0	32	32	Rephasing of spend from 2025/26	N/A	Service will keep under review as to when replacement required
54 Street Cleansing Gully Emptier	0	220	220	Rephasing of spend from 2025/26 and higher prices than budgeted	N/A	Lead in time for original replacement model is longer than expected and alternative option has a higher cost
57 Refuse Vehicles	725	690	-35	Saving reduced price	-4.83%	Orders have been raised in 2025/26 as long lead in times for vehicles which has secured lower price than budgeted
59 Recycling Vehicles	1050	993	-57	Saving reduced price	-5.43%	Orders have been raised in 2025/26 as long lead in times for vehicles which has secured lower price than budgeted
62 Provision for Replacement Electric Vehicles	70	170	100	Rephasing of spend from 2025/26	142.86%	Suitable vehicles for electric replacement not found
<u>Support Services (Deputy)</u>						
72 Investment in Digital Technology - DPO	128	218	90	Rephasing of spend from 2025/26	70.31%	Budgets have been deferred to 2026/27 awaiting for schemes to be brought forward for funding.
Majority of the variations are due to rephasing following reviews by service managers to delay as much spend as possible.						

Revenue Budget Projections for next five years

1. Below is a high-level summary of forecast changes in the Council's income and expenditure compared to each preceding year.

	Jan 25 Forecast £000s	New 26/27 £000s	27/28 £000s	28/29 £000s	29/30 £000s	30/31 £000s	Note
Pay inflation 3% or 3.5%	1,350	1,297	1,413	1,459	1,505	1,554	A
Inflation other	370	450	364	374	387	400	A
City and other Growth	400	355	106	106	106	106	
Temporary accommodation	650	932	509	474	269	511	B
<u>Income realignments to actuals in prior years</u>							
Theatre (including VAT) - gross income only cost implications		-440	0	0	0	0	C
Garden waste net		-840	-41	0	0	0	C
Leisure Income		-410	0	0	0	0	C
Crem		756	0	0	0	0	C
EPR		-779	0	0	0	0	C
Property	-1,130	-230	-930	-16	0	0	
<u>Other</u>	-528	-236	-245	-91	15	-10	
Interest Income, MRP, Leasing & Interest Paid	788	1,530	980	1,018	703	425	D
Contributions to capital & Reserves	1,224	552	308	290	242	607	
Reserves offsetting rent income change	132	172	930	16			
<u>Actions undertaken</u>							
Theatre New Ticketing Fee Structure		-162	0	0	0	0	
Dovedale Increased Activities post refurbishment		-173	-48	-29	-4	0	
Income @3% increase in charges	-1,009	-1,106	-1,058	-1,151	-1,189	-1,258	E
Council Tax increase 3%	-598	-607	-511	-527	-542	-559	
<u>Government - changes</u>							
Planning cost recovery		-800	0	0	0	0	F
Core funding	930	0	0	0	0	0	F
Asylum seeker grant		-464	0	0	0	0	F
Surplus/+Deficit	2,579	-201	1,777	1,924	1,492	1,775	

2. Below there are short explanatory notes on the key variances identified above:

- a. Inflation and Pay increases have been allowed for. The financial pressures from inflation have lessened but pay remains a challenge. Government statistics on pay nationally are still showing 4% plus annual increases. A provision of 3.5% has been allowed for in the planning which does carry risk, including the potential for a large increase in the National Living Wage. A 1% pay award is circa £400k of additional cost.

b. Unfortunately, it remains in the forecast that the number of households in Temporary Accommodation (TA) will continue to rise. However, a review of the impact of current and planned initiatives on TA numbers may mean by the time of the budget this cost is revised down significantly, but further work by officers is needed.

c. Income realignments. These mostly are where 2024/25 outturn and 2025/26 in year monitoring is significantly higher than the 2025/26 budget assumption. This has occurred due to a range of reasons, including, imperfect information on which to accurately forecast e.g. customer behaviour, government announcements (EPR) or pessimism in the budget.

There is only one area of income where estimates must be adjusted down materially, that being the crematorium. Increased competition and low death rates appear to be the key cause.

Property income is expected to recover over the next two years, and it is expected that the 1 Springfield Lyons property, which previously generated circa £760k per annum, will be relet on favourable terms.

During the void period reserves have been used to offset lost rent. So, on letting the impact on the bottom line budget will only be to reduce reserve use.

d. The cost of financing the council capital programme is rising, and current forecasts suggest this will be one of the most significant causes of annual budget gaps. However, it is crucial to note:

i. Of the rising cost around 50% is caused by funding the replacement programme by debt.

This approach is relatively new as annual revenue contributions of £1.7m to fund replacements were removed several years back on the assumption that borrowing (internal and external) would be used instead. This will mean gradually borrowing costs would rise each year. That is a key reason for increasing finance costs.

ii. Borrowing costs are often met by the benefits of the scheme. It is important to understand increased borrowing costs in that context.

iii. The amount borrowed and the interest (earned and paid) has traditionally at outturn been significantly and favourably lower than estimates. The current forecast will be challenged between now and budget setting to develop greater optimism into the estimates and to try to achieve greater alignment between budget and outturn. However, this is difficult as current estimates are based on the best information available.

e. The forecast assumes 3% increases in all fees and charges (and Council Tax). The actual level of charges is yet to be determined and the 3% is a planning assumption.

f. Changes in Government Support

i. to Core Grants and Business rate retention assumptions are unchanged and dealt with in the next section where the deficits are adjusted for a wide range of funding outcomes.

ii. The Government is consulting on allowing local authorities to set planning charges at cost recovery. The significant charges currently are determined by Government and effectively result in local taxpayers subsidising planning services. The change is not certain but is highly likely and should result in £800k of additional income annually.

iii. The Council post April has for the last two years received grant for each asylum seeker in accommodation in the district. This is assumed in the forecast to be ongoing.

3. The forecast needs to be risk adjusted for Government Funding changes and growth.

The Government has proposed an almost completely new funding formula to allocate funding (and business rates) to local authorities starting in 2026/27. What has been published so far is startling, as it effectively proposes that some, if not many social care delivering authorities could lose funding to the benefit of lower tier authorities. This would be beneficial to the City Council. The government has provided consultation documents which imply the following key elements:

- Overall funding from government funding is not expected to increase meaningfully and council tax increases of 3% (plus 2% for social care) are assumed by Government annually.
- temporary accommodation funding will become part of the core grant, rather than a separate grant as is the case now.

- business rate retention growth earned by the City Council (all councils) will be lost, and the funding reallocated to increase core grants. Business Rate Retention income will continue from a government determined base level that is reset every 3 years, meaning the benefits of local growth to the Council will be temporary.
- social care grants were previously ring fenced and made directly but according to the government could be included in core funding. This is a key change, as independent modelling suggests that including social care in core funding would reduce the amount received by many councils who provide social care, as the funding is diluted by the inclusion of other allocation factors such as homelessness or lower tier services.
- Independent modelling has been undertaken and the impact on the City council is in a possible range; a gain of circa £1.5m a year by 2028/29 or a loss of £2.3m a year by 2028/29. This is a range of £3.8m. Most of the difference is caused by social care assumptions (gains to the City Council arise from including social care in core funding).
- Gains or losses in funding are likely to be phased in over three years.
- It is important to note, though it seems completely counter to the wider sector financial pressures, that Government representatives have at various meetings and seminars committed to including social care funding in the core settlement and therefore higher funding to the City Council is the more likely outcome (& lower funding to some social care authorities).

After Risk assessing the forecast for Government funding changes and growth, the table below shows the range on which the Council needs to plan. The Central case assumes no change in funding and the best and worst case reflect the independent modelling of Government funding:

Projection allowing for Funding risk and growth

	26/27	27/28	28/29	29/30	30/31
	£000s	£000s	£000s	£000s	£000s
Annual Planning Assumption with No change in Government funding -surplus/deficit and allowance for growth £300k per year	99	2,077	2,224	1,792	2,075
Upside case Government funding	-768	-380	-390	0	0
Upside case	-669	1,697	1,834	1,792	2,075
Cumulative Best Case		1,028	3,531	3,625	3,866
Downside case Government funding	1,112	600	600	0	0
Downside case	1,211	2,677	2,824	1,792	2,075

4. Pension Fund Valuation for 2026/27- The outcome is not yet known
 - a. The Council is required by law to provide access for its employees to the local government pension scheme (LGPS). It is a defined benefit scheme. The council and employees both make contributions to it. For the Council, the contributions are two-fold; an ongoing charge related to the cost of current employees on the payroll (and in the scheme) plus every 3-years a pension fund valuation determines if a payment is needed to cover a forecast deficit on the scheme.
 - b. The valuation of the pension fund occurs every three years. The next one is 31st March 2026. The results of the valuation are due in the next few months.
 - c. The pension fund has for several decades been in deficit. This has resulted in the Council every three making a deficit payment with the last payment being £0.5m (covering three years). These deficit payments have been reducing in value as the fund valuation has improved. The fund is now believed

to be in surplus, and it is the expectation that no deficit payment will need to be made for the next three years. The budget forecast reflects that position.

- d. The current employer contribution for each employee is also set for every three years. A 1% reduction in rate would be expected to generate around a £300k saving. The budget has assumed no change in current service costs, but this is a possibility.

5. Actions

Given the forecast identifies that the 2026/27 budget may have either a large deficit or a surplus, the approach for 2026/27 will need to be flexible and reactive to Government funding announcements. The approach to the budget will therefore :

- a. Review forecasts of temporary accommodation to ensure that all current and expected initiatives and actions are included in the estimates. This should provide downward movement in cost estimates beyond the current forecast.
- b. The budget position (forecasts) benefit from large income gains and robust monitoring will need to ensure that income trends continue.
- c. Build into the budget the implications of any changes in the pension fund valuation.
- d. As normal, undertake the annual process of service budget reviews by Directors in consultation with cabinet members to find savings with limited-service impact. Overall savings are likely to be limited in value but will contribute to fund any service enhancement or growth.
- e. Identify any additional revenue funding for service enhancement or essential to maintain services.
- f. If needed use additional freedoms if they are offered by the Government to increase Council Tax in 2026/27 to protect against service cuts.
- g. Review the capital programme to ensure spend and any financing costs are needed to effectively meet corporate priorities. The Council's assets should continue to be reviewed and managed to keep costs low and increase income either from disposals or revenue income.
- h. A review of all fees and charges should be undertaken. This will include using any freedoms by Government to increase planning charges. This is included within the budget forecast.
- i. If necessary, use reserves to balance off government funding changes in 2026/27, given the position is so uncertain. The forecasts suggest that could either be a one-off use of £1.1m of reserves or contributing £0.669m to reserves (and reduce future year budget gaps). During 2026/27 financial planning would be developed to produce long term solutions if reserves were used. The Council's "Government funding and Business rates contingency" reserve could be used to make good on a temporary basis any funding cuts in the 2026/27 budget.

6. Conclusion

Given that government funding is so uncertain, it is best to consider the range of the likely outcomes; the forecast suggests a large surplus of £669k benefiting from an increase in government funding or with a single change in the government formula of how grant is allocated, a large deficit of £1.2m.

To enable development of the budget the central case assumes £99k deficit with no change to government funding. To manage the funding risk, it is assumed reserves will contributed to or used to help balance the 2026/27. The budget will need to be flexible. The normal annual reviews of budgets and charges will be undertaken.

The budget process will be managed on an annual basis given the uncertainties, which will mean identifying solutions to balance later years will not be a focus of the 2026/27 budget process.

Which actions will be necessary to balance the 2026/27 budget and provide a step towards improved long-term finances will be dependent on the funding decisions made by Government, which will probably not be known until Christmas.

Reserves Forecast

The following commentary and figures are not for approval but are only here to provide an outline regarding the s151's current view of reserve needs. The reserves forecast shows a period only up to vesting day (3 years), covered on the next page. The City Council currently has no commitments that suggest any significant use beyond that date other than LGR.

- The s151 officer is required to set a recommended level of general fund reserve (contingency); the target remains at £9m. A review of the recommended level of General balance will take place in the 2026/27 budget. The reserve is forecast to remain above the £9m target.
- From 2025/26 onwards any interest earned on earmarked CIL funds will be transferred to a CIL interest reserve to maintain ringfencing and provide limited indexation of funds until they are spent.
- Key Transfer between reserves in 2026/27
 - The projections allow for a number of transfers between reserves. The largest is a £4m transfer between reserves to establish funding for LGR costs both pre and post vesting day. The current planning outlines the establishment of a £4m reserve. The s151 officer currently considers that a further review of reserves should be conducted once the Council's new unitary partners are known but the higher the reserves for LGR implementation the more beneficial to the residents of the unitary. Clearly other authorities should also be setting aside reserves or identifying strategy for funding LGR costs. It should be noted, authorities are likely to be allowed to borrow to fund LGR expenditure but that would incur interest and needs to be paid back, adding to future revenue budget pressures.
 - £1.5m transfer from the utility reserve. This reflects the Council's procurement of energy over a 3 year time horizon. Current purchasing is around 66% complete for 2026/27 and purchases have been agreed for some of 2027/28. The position will need to be reviewed but level of risk for 2026/27 would suggest a £1.5m reserve is no longer needed and can now be managed by the general fund balance
 - £0.5m transfer to local plan reserve. Reflecting the need to spend additional sums to achieve the target set by Government.
 - £0.3m to Carry Forward and Supplementary estimate reserve. Reflecting an allowance of £0.3m for 2026/27 to fund supplementary estimates. Given the higher level of spend in 2025/26, this may need to be revised higher in the budget.
 - £0.4m transfer to the insurance reserve. An actuarial review has been undertaken of self-insured risk and an increase in provision was recommended.
 - £0.69m from the pension reserve. An actuary is reviewing the Council pension fund, and the current expectation is there will be no deficit payment as the fund is surplus. The fund is revalued every three years and given long term historic deficits it is not felt appropriate to consider removal of the reserve in full.

[illegible]