

Cabinet Agenda

12 July 2022 at 7pm

Council Chamber, Civic Centre, Chelmsford

Membership

Councillor S J Robinson (Chair and Leader)
Councillor M C Goldman (Connected Chelmsford
and Deputy Leader)

and Councillors

C K Davidson (Fairer Chelmsford)
M J Mackrory (Sustainable Development)
R J Moore (Greener and Safer Chelmsford)

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

There is also an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. If you would like to find out more, please telephone Brian Mayfield in the Democracy Team on Chelmsford (01245) 606923 email brian.mayfield@chelmsford.gov.uk

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THE CABINET

12 JULY 2022

AGENDA

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

1. Apologies for Absence

2. Declarations of Interest

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

3. Minutes and Decisions Called in

Minutes of meeting on 7 June 2022. No decisions at that meeting were called in.

4. Public Questions

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

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

5. Members' Questions

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

6. Fairer Chelmsford Items

6.1 Treasury Management Outturn 2021/22

6.2 Capital Programme Update and Provisional Outturn 2021/22

6.3 Medium Term Financial Strategy

7. Leader's Item

UK Shared Prosperity Fund

8. Report from the Constitution Working Group

Proposed Amendments to the Constitution

9. Urgent Business

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

10. Reports to Council

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

PART 2 (Exempt Items)

NIL

MINUTES OF CHELMSFORD CITY COUNCIL CABINET

on 7 June 2022 at 7.00pm

Present:

Cabinet Members

Councillor S Robinson, Leader of the Council (Chair)
Councillor M Goldman, Deputy Leader and Cabinet Member for Connected Chelmsford
Councillor C Davidson, Cabinet Member for Fairer Chelmsford
Councillor M Mackrory, Cabinet Member for Sustainable Development
Councillor R Moore, Cabinet Member for Greener and Safer Chelmsford

Opposition Spokespersons

Councillors K Bentley, R Gisby, R Hyland, I Roberts, M Steel,
A Thorpe-Apps and R T Whitehead

Also present: Councillors A Davidson and N Gulliver

1. Apologies for Absence

Apologies for absence were received from Councillors R Massey, R Poulter and M Sismey, Opposition Spokespersons, and Councillor S Rajesh, Cabinet Deputy.

2. Declarations of Interest

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

3. Minutes and Decisions Called-in

The minutes of the meeting on 15 March 2022 were confirmed as a correct record. No decisions at that meeting had been called in.

4. Public Questions

A member of the public attended the meeting to make a statement about the impact on Chelmsford of National Grid's East Anglia Green Energy Enablement (GREEN) project for a new high voltage network reinforcement between Norwich, Bramford and Tilbury. He said that many residents were concerned about the effect the scheme would have on the landscape, environment and wildlife and asked that the City Council take strong concerted action with other local authorities and organisations to oppose the scheme in its current form and press for one that would have less visual and environmental impact.

The Leader of the Council said that the Council's response to the consultation on the proposal would be considered by the Chelmsford Policy Board on 14 July 2022, after National Grid had granted an extension to the deadline for its response. Without pre-judging or inferring what that response might be, the Leader said that the Liberal Democrat Party opposed the proposal and was pressing for a co-ordinated response in the East of England. It was their view that Local Energy initiatives provided a better and more sustainable alternative to major energy infrastructure projects of this kind and that the government should be doing more to promote them.

5. Members' Questions

Councillors who were not members of the Cabinet asked the following questions:

- (a) Councillor A Thorpe-Apps on why, when compared with other local authorities, the Council had been relatively slow in preparing its response to the National Grid's GREEN project.

The Leader of the Council said that, as his response to the earlier question on the subject from the member of the public showed, there was no lack of concern on the part of the Administration about the proposal and the Council was preparing an effective and defensible response to the consultation on it.

- (b) Councillor I Roberts on the Leader's recent statement which appeared to suggest that councillors for South Woodham Ferrers had not raised concerns about the masterplan for the development of land north of the town. He said that local representatives had raised questions about the masterplan, especially the effect of the development on the road network, at several meetings at which it had been considered.

The Leader replied that, for clarity, he had been referring to the fact that whilst local ward councillors may have raised concerns about the masterplan when it was considered by the Policy Board, they had not approached him about it before its consideration by the Cabinet.

Councillor Roberts added that although he had not approached the Leader he had raised his concerns with the Cabinet Member for Sustainable Development.

(7.12pm to 7.18pm)

6. Masterplan for Site of Former St Peter's College (Sustainable Development)

Declarations of interest:

None.

Summary:

The Cabinet considered a revised masterplan prepared by Essex Housing for Strategic Growth Site Policy 1b, the former St Peter's College site, Fox Crescent. The Chelmsford Policy Board had previously considered the original masterplan for the site and a subsequent addendum that took into account the Board's observations on the original plan. The revised masterplan reflected the content of the addendum and other changes required by officers.

Options:

Approve the masterplan, with or without further amendment.

Preferred Option and Reasons:

The masterplan as presented demonstrated how the requirements of the Local Plan would be delivered on the site, achieved a high quality development which was well related to its context, provided a sound framework to guide successful placemaking, and supported the planning application process.

Discussion:

In response to questions from opposition group spokespersons, the Cabinet Member for Sustainable Development said that:

- At this stage, there was no detail about the provision of charging points for the new dwellings within the development – that would come at the planning application stage. The provision of UV charging points for the new and existing parking areas on Fox Crescent was outside of the scope of the planning process.
- It was the general preference of the Council that open spaces provided as part of new developments be adopted and maintained by it. As it stood, however, no decision had yet been made on the management of the open space being provided as part of this development.
- Similarly, whether gas infrastructure would be provided as part of the development had yet to be determined.
- Biodiversity net gain and monitoring progress towards its achievement would be addressed as part of the detailed planning application and was likely to be covered by conditions associated with any permission.
- Excluding the provision for independent living, 35% of the housing within the development would be affordable.
- There had been an identified need for the two special schools to be provided as part of the development and the County Council had concluded that this was an ideal opportunity and site to help meet the shortfall. Although the Education Authority had not commented on whether there may be a need for additional primary and secondary

school places arising from the development, it presumably had concluded that existing provision in the area could meet the demand. However, the City Council was mindful of the combined effect the development of this and the Warren Farm sites would have on demand for school places in that part of Chelmsford and, if necessary, would press for the expansion of Lawford Mead school if it was considered that provision was insufficient.

RESOLVED that:

1. The Masterplan for the former St Peter's College site as presented in Appendix 5 to the report to the meeting be approved.
2. The Director of Sustainable Communities, in consultation with the Cabinet Member for Sustainable Development, be authorised to make any revisions requested by Cabinet.

(7.18pm to 7.36pm)

7.1 Frankland Fields, South Woodham Ferrers – Declaration as Local Nature Reserve (Greener and Safer Chelmsford)

Declarations of Interest:

None

Summary:

The report to the meeting set out a proposal to declare part of Frankland Fields, South Woodham Ferrers, as a Local Nature Reserve and to register it as such with Natural England.

Options:

Declare or not declare the area as a Local Nature Reserve.

Preferred Option and Reasons:

The declaration would further the City Council's Climate and Ecological Emergency Action Plan and the Green Infrastructure Plan adopted as part of the Local Plan.

Discussion:

The proposed declaration had been welcomed by councillors for South Woodham Ferrers, who had also appreciated the consultation carried out on it. In response to a question at the meeting, it was confirmed that there would be no additional cost to the City Council of declaring the area a Local Nature Reserve.

RESOLVED that the declaration of part of Frankland Fields as a Local Nature Reserve be supported and that Natural England be requested to include the site on the Natural England register of Local Nature Reserves.

(7.36pm to 7.42pm)

7.2 Air Quality Strategy (Greener and Safer Chelmsford)

Declarations of Interest:

None

Summary:

In accordance with the recommendation of the Department of the Environment, Food and Rural Affairs the Council had prepared an air quality strategy which described how it would meet its statutory duty in respect of air quality. The Strategy attached at Appendix 1 to the report to the meeting set out the importance of air quality, the Council's duties in respect of monitoring it, the Council's policies and actions that would contribute to improving air quality, and the indicators to be used to assess the success of the Strategy.

Options:

Adopt or not adopt the Strategy, with or without amendments.

Preferred Option and Reasons:

The proposed strategy would meet the Council's statutory duty to monitor air quality and help to reduce air pollutants.

Discussion:

The meeting was informed that a key beneficial part of the Strategy, the provision of real time updates and data on air quality, would be available to the public from 1 July 2022.

RESOLVED that the Air Quality Strategy attached as Appendix 1 to the report be approved.

8. Urgent Business

There were no items of urgent business.

9. Reports to Council

None of the items to the meeting needed to be referred to the Council for approval.

Exclusion of the Public

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for item 10 on the grounds that it involves the likely disclosure of exempt information falling within paragraph 3 of Part 1 of the Schedule 12A to the Act (information relating to the financial or business affairs of any particular person including the authority holding that information).

10. Extension of 2a Rainsford Road (Fairer Chelmsford)

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

Declarations of Interest:

None

Summary:

The Cabinet was requested to approve a scheme for the extension of 2a Ransford Road to produce an additional six units of temporary accommodation. The report set out the development cost and programme for the budget and the means by which it would be funded.

Options:

Proceed or not with the project.

Preferred option and reasons

The extension of the property would provide additional units and improved accommodation to address the homeless need in the City.

RESOLVED that

1. The capital budget for Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable Social Housing be increased as detailed in the report to the meeting to meet the cost of extending 2a Rainsford Road.
2. The Director of Public Places be authorised to conclude negotiations and enter the contract for the required building works.

(7.48pm to 7.50pm)

The meeting closed at 7.50pm

Chair



Treasury Management and Investment Sub-Committee / Cabinet

20 June 2022 / 12 July 2022

Treasury Management Outturn Report 2021/22

Report by:

Accountancy Services Manager (Section 151 officer)

Officer Contact:

Phil Reeves, Accountancy Services Manager, phil.reeves@chelmsford.gov.uk, 01245 606562

Purpose

Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), Members are required to receive a report on the Treasury Management activities that took place in 2021/22.

Recommendation

That the Council be recommended to approve the Treasury Management Outturn Report 2021/22.

1. Introduction

- 1.1. The CIPFA Code of Practice for Treasury Management sets out the requirements for oversight by the Council of its treasury management operations. As part of the Code, the Council is required to receive an annual report on the performance of the treasury management function which highlights the effects of decisions taken and the circumstances of any non-compliance with the Code and the Council's Treasury Management Strategy.

2. Background

- 2.1. The Council can expect to have cash to invest arising from its revenue and capital balances, and collection of Council Tax. This cash can be usefully invested to produce a return to help support services and Council Tax. The activities around the management of this cash are known as 'Treasury Management'.
- 2.2. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:
- "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*
- 2.3. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.
- 2.4. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 2.5. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. Due to the late notice of the changes in December 2021 and therefore the shorter time to interpret and implement the new code, the City Council has chosen to defer the reporting requirements until 2023/24. So this report and the 2022/23 Strategy were compiled on the previous Code's basis.
- 2.6. The Council's investment priorities as required by Government regulations are in order of priority:
- (a) The security of Capital
 - (b) The liquidity of its investments; and
 - when these are satisfied
 - (c) Yield
- DLUHC and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.
- 2.7. The operation of Treasury Management is not without risk and the Council could suffer losses if one of its counterparties had financial difficulties.
- 2.8. The Council formally reviews its investment holdings in the following ways:

- Treasury Management Strategy report in February
- Treasury Outturn report in July
- A half-year update in November
- Treasury Management sub-committee to monitor Treasury Activity during the financial year.

The review of the year's activities is set out in the following appendices:

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2021/22 Strategy

3. Summary of Review

- 3.1. During the financial year, there were no breaches of the Treasury Management Strategy.
- 3.2. The economic environment for the financial year was marked by rising inflation and interest rates near the end of the year, due to the War in Ukraine, rising energy costs and supply shortages.
- 3.3. The Council's investment holdings on the 31st March 2022 were £76m compared to £47m on 31st March 2021. The average and closing balance for the year were higher than allowed for in the budget due to various balances being held to be paid over to individuals or government departments and slippage in capital spend.
- 3.4. Interest earnings from investments for the year were £0.62m, which was £0.33m higher than the budget, predominantly due to investment in 3 diversified income funds and the rising interest rate environment experienced at the end of the financial year.
- 3.5. The overall return on investments for 2021/22 was 0.75% compared to 0.62% in the previous year.
- 3.6. The Council was invested in 4 pooled funds at the end of 2021/22 which generated total income returns of £561k at an average annualised return of 3.74%.

4. Conclusion

- 4.1. It should be noted that the Council's Treasury Management has operated within approved parameters, has resulted in no realised losses and delivered income of £0.62m which has helped to support Council services.

List of appendices:

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2021/22 Strategy

Background papers:

None

Corporate Implications

Legal/Constitutional: None

Financial: As detailed in report.

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

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

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

Personnel: None

Risk Management: All treasury management activity requires a careful consideration of risk and reward.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies:

Treasury Management Strategy 2021/22

Appendix A – Economic Environment Update

Introduction

The amount of interest the Council earns on its balances is a function of the mix of fixed and variable-rate investments made by the authority, together with the performance of the shares it holds in pooled investment funds such as the CCLA, Multi-Asset Funds and Money Market Funds.

Therefore, the interplay of various economic factors including interest rate expectations, property prices and economic growth all affect the performance of the Council's investments.

Economic factors

The continuing recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

The UK Bank of England base rate was 0.10% at the beginning of the financial year. April and May 2021 saw the economy gathering momentum as restrictions due to the pandemic were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022, but the significant rising and persistent inflation changed that.

UK CPI was 0.7% in March 2021 but increased steadily throughout the year to a figure of 7.0% in March 2022. This was driven largely by rising energy prices and supply shortages.

The Bank of England therefore increased the base rate to try to bring inflation back in line with its 2.0% target from 0.10% to 0.25% in December, with further hikes in February to 0.50% and 0.75% in March. A further increase has occurred since the end of the financial year, with further increases still likely.

The Council benefitted from some of these increases through some of its fixed investments made near the end of the financial year, as higher rates were locked into. The Council's notice accounts are also directly linked to the Bank of England base rate and so received immediate rises in line with the increases above in December, February and March.

The valuation of the Council's investment in the CCLA Property Fund increased by £1.13m in the year, leaving the Council's unrealised gain at £2.57m on its initial investment. This increase was partly seen through increases in valuations over the commercial property market as a whole, but also a number of specific items within the CCLA portfolio of properties. For example, a lease on one of the retail warehouse assets owned by the CCLA was renegotiated during the year with the length increasing from less than 3 years to around 10 years. This change led to more certainty over future income and therefore increased the value of that asset. Another asset was successfully re-let following refurbishment works during the year which again resulted in a higher valuation. As measured against balance held in the fund at the start of the

year, the income return for 2021/22 would have been 3.88%. The Fund has a minimum 90-day redemption period.

The valuations of the Council's investment in the 3 Multi Asset Funds also changed throughout the year, with an overall decrease in value across the 3 of £174k. These investments are seen as medium- to long-term investments over a 3- to 5-year period and so capital values will fluctuate up and down during this investment horizon.

Investments in the 3 Multi-Asset funds were made in June and July of 2021 and so the annualised income returns on the 3 funds, as measured against the initial values invested in the funds, would have been as follows: 2.14% (CCLA DIF), 3.32% (Ninety One Fund) and 5.27% (Aegon Fund).

Appendix B – Borrowing and Actual Investment Activity compared to the Approved Strategy for 2021/22

External borrowing

1. The Council has the freedom to borrow in the following circumstances:

- Short-term borrowing to manage liquidity
- Long-term borrowing only to fund capital expenditure if no other capital resources exist, e.g. the Council has spent its capital receipts or expects to do so imminently

The Council did not need to borrow externally in 2021/22.

2. Finance leases are deemed by Government to be a type of borrowing in the Council's Accounts and Treasury reporting must identify that the Council has borrowed money when they are used. At 31st March 2022, the Council had outstanding finance lease liabilities of £451k.

Investments

3. Officers with appropriate knowledge and training invest the Council's cash balances. Arlingclose are used as advisers on treasury management to help inform the decision-making process.

4. The Council's cash is invested in the following priority order, in accordance with statutory guidance:

- i) Security – protecting the capital sum invested from loss
- ii) Liquidity – ensuring the funds invested are available for expenditure when needed
- iii) Yield – subject to achieving proper security and liquidity, to pursue a yield on investments to support service provision

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

5. The Council uses cash-flow planning methods in order to manage its in-house investments. This allows officers to separate in-house funds into two categories:

- Shorter-term, lower-yielding investments – these investments are invested for relatively short durations, normally 3-6 months, in order to ensure that the maturity profile of investments matches the peaks and troughs in the Council's liquidity needs – particularly for the final 2 months of the year where council tax income falls significantly due to the 10 monthly instalments most residents choose to pay in.
- Longer-term, higher-yielding investments – these are investments of 'core cash' which the Council does not require for operational purposes within the

short to medium term. These funds can be invested for a year or more in appropriate counterparties in order to generate higher yields without causing liquidity issues.

6. During 2021/22, the Council's investment portfolio increased from £47.0m to a closing balance of £76m. However, a significant proportion of this cash was temporary funding due to be paid over to different government departments or individuals, so does not form a part of the Council's core ongoing cash balance.

Compliance with Treasury Management Strategy

7. A summary of the approved treasury management strategy, together with actual outcomes is presented below:

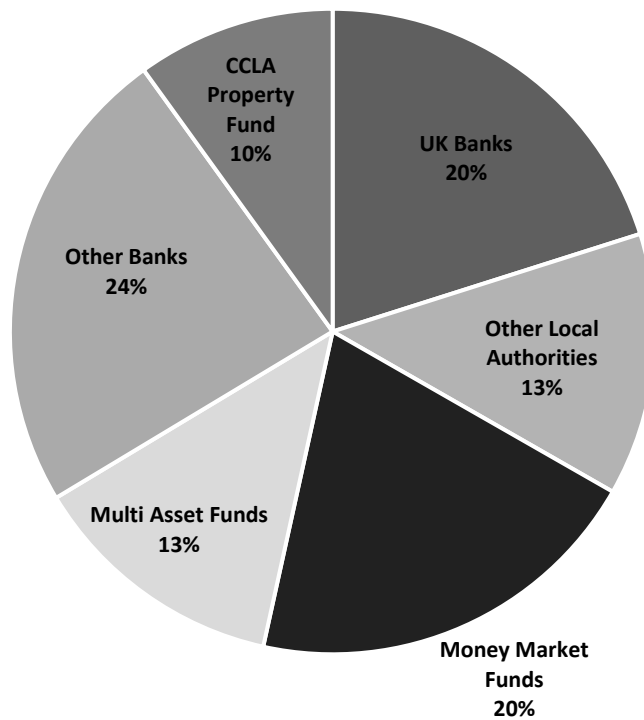
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|---|---|
| a. To ensure that there are no breaches of the approved counterparty limits or durations | No breach occurred. |
| b. The option to invest further sums in pooled funds | Investments in 3 Multi-Asset Funds occurred in 2021/22 |
| c. To maintain a target balance of £15m of short notice funds to manage liquidity | The Council held less than £15m in liquid funds for a period of 6 days at year-end, however this was planned for in conjunction with government funding being received on the 30 th March, so caused no liquidity problems |

In 2021/22, the Council remained mindful of the risk of bail-in losses from unsecured lending to banking counterparties. However, with the changing market pressures exerted by Covid-19 and the higher levels of liquidity that many local authorities experienced, there was less demand from local authorities in the market for the Council's investments. The Council would often invest with local authorities in a more typical year and so this resulted in a larger number of bank and building society investments than in previous years, therefore increasing the bail-in risk to the Council. All investments were within approved limits and for approved counterparties, and so any risk to the Council was deemed minimal.

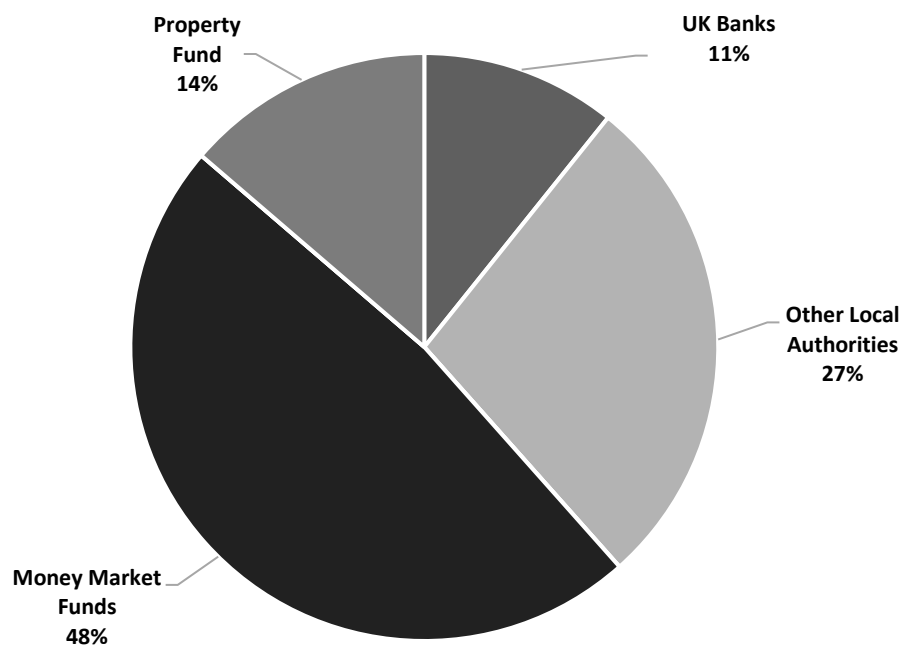
As at 31st March, the Council's exposure to bail-in risk (direct lending to banks and building societies) was 44%, against 11% at the end of the previous financial year.

Exposure	2019/20	2020/21	2021/22
Bail-In Risk – Direct investment	20%	11%	44%
Bail-In Risk – Pooled Fund Managers and Money Market Funds	26%	48%	33%
Exempt from Bail-In (including CCLA)	54%	41%	23%
Total	100%	100%	100%

Investment at 31/03/22 By Sector



Investment at 31/03/21 By Sector



Counter Party

Money Market Funds & Long-Term Funds	Credit Rating (Fitch)	Sum Invested (31/03/2022)	Limits 2021/22
Black Rock Money Market Fund	AAAmmf	£3,336,540	£6,000,000
Insight MMF	AAAmmf	£5,999,010	£6,000,000
Invesco Money Market Fund	AAAmmf	£290	£6,000,000
BNP Paribas Money Market Fund	AAAmmf	£5,999,940	£6,000,000
CCLA Property Fund	N/A	£7,565,770	£8,000,000
Aegon Multi Asset Fund	N/A	£3,584,400	£10,000,000
Ninety-One Multi Asset Fund	N/A	£3,151,870	
CCLA Multi Asset Fund	N/A	£3,089,230	

Banks & Building Societies

Natwest	A+	£278,060	£3,000,000
HSBC	AA-	£3,000,000	£3,000,000
Barclays	A+	£3,000,000	£3,000,000
Development Bank of Singapore	AA-	£3,000,000	£3,000,000
Nordea Bank	AA	£3,000,000	£3,000,000
Nationwide Building Society	A+	£3,000,000	£3,000,000
Landesbank Baden-Wuerttemberg	A	£3,000,000	£3,000,000
Lloyds	A+	£3,000,000	£3,000,000
Santander	A+	£3,000,000	£3,000,000
DZ Bank	AA-	£3,000,000	£3,000,000
Toronto Dominion	AA	£3,000,000	£3,000,000
Rabobank	AA-	£2,976,340	£3,000,000

Local Authorities

Warrington Borough Council	N/A	£5,000,000	£10,000,000
London Borough of Barking & Dagenham	N/A	£5,000,000	£10,000,000

Total Investments	£75,981,450
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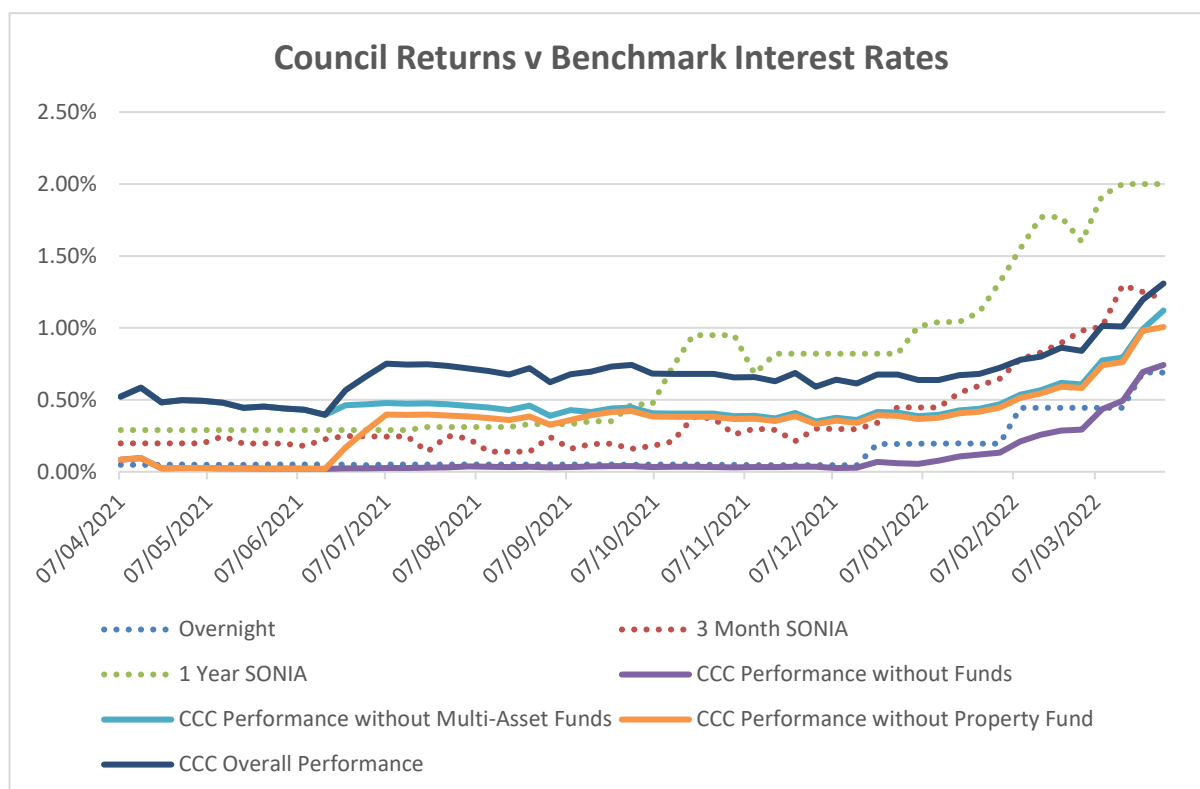
Return on investments

8. Interest rates remained at relatively low levels for the majority of 2021/22, with the Bank of England base rate being held at 0.10% until 16th December 2021 when it increased to 0.25%. The base rate was then increased a further 2 times during the financial year to reach 0.75% on the 17th March 2022. Some of these increases did have an impact on the fixed investments that were arranged near the end of the financial year, with some achieving rates in excess of 1.00%. Any increase in the base rate takes time to filter through to the Council's liquid Money Market Fund investments, with the rates on these at the end of the year ranging from 0.44% to 0.65%.

Inflation pressures were significant during the end of 2021/22 with the start of the Russia Ukraine war and continued supply issues, which both pushed the Bank of England's decision-making in raising interest rates. Consequently, returns remained well below the prevailing high inflation rate, resulting in negative real rates of return on funds invested.

Comparisons by Arlingclose out of 121 authorities (127 last year) show the City Council's total returns on investments remained in the second quartile for authorities in March 2022 (39th highest) compared to March 2021 (50th highest). This was an improvement year on year, predominantly due to the investments in multi-asset funds and higher fixed investment rates near the end of the financial year with different banks. When just looking at income return, the City Council sits 28th out of the 121 local authorities which formed a part of the year-end benchmarking.

The LIBOR (London Inter Bank Offered Rate) rates were superseded with the Sterling Overnight Rate (SONIA) during the financial year. The below table highlights these rates as a comparison against the returns the City Council generated.



The Council earned a total of £615,740.08 in investment income during the 2021/22 financial year, which was £325,740.08 additional income over the £290k budget. This was predominantly due to the investments in the 3 Multi-Asset funds as the income for this was not included in the £290k budget as not certain at the time. The income from these funds has been included in the investment income budget for future years.

In a rising rate environment, it is likely that the Council will lag behind the 1-year SONIA rate due to previous fixed-term investments being invested at lower rates pre rate rises.

	Market investments (excluding CCLA and Multi Asset Funds)	CCLA Property Fund Investment Income Yield (Based on 01/04/21 value)	Multi Asset Funds Income Yield (Based on inception value)	All Investments Income Yield
	Year ending 31/03/2022			
Average yield	0.13%	3.88%	3.66%	0.75%

The yields above have used the opening balance on any fund investments (1st April 21 for CCLA property fund and inception dates for 3 Multi-Asset Funds). This differs to previous methods of reporting which have used the closing balance of the funds. This has resulted in the CCLA property fund showing a higher level of return due to a lower opening balance at the start of the financial year.

8.1 Funds

The City Council invested in 3 Multi-Asset Funds during the financial year and also maintained its investment in the CCLA Property Fund. All of the Council's investments in these types of fund are seen as strategic and are therefore invested for the medium to long term for a rolling period of 3 to 5 years. The total balance invested makes up part of the Council's core cash that it is expected to hold for the long term.

Income Returns on the 4 funds are outlined below along with the closing capital value of the fund, initial investment value and unrealised gain or loss. For the 3 multi-asset funds, income returns have been annualised to reflect what the interest rate would have been for a full year investment. Income returns have been based on the initial investment value or 1st April 2021 valuation if the fund was held then.

Fund	Initial Investment Value	31/03/2022 Investment Value	Unrealised Gain/(Loss) (since inception)	Annualised Income Return (Based on earliest point of holding asset in year)	Annualised Total Return (2021/22)
CCLA Property Fund	£5,000,000	£7,565,769.47	£2,565,769.47	3.88%	18.23%
CCLA DIF	£3,100,000	£3,089,232.53	(£10,767.47)	2.14%	1.80%
Aegon DIF	£3,600,000	£3,584,400.00	(£15,600.00)	5.27%	4.86%
Ninety One DIF	£3,300,000	£3,151,872.53	(£148,127.47)	3.32%	-1.22%

Total Income from the 4 funds above during 2021/22 was £561,438.33.

The unrealised gain on the CCLA property fund during the financial year was £1,129,677.90, which generated a significant (but unrealised) total return for 2021/22.

Conclusion

The Council has operated within its Treasury Management Framework. This has enabled the Council to safeguard its financial assets and produce a good level of return relative to the prevailing market interest rates and other local authorities compared to via Arlingclose benchmarking.



Chelmsford City Council Cabinet

12 July 2022

Capital Programme Update and Provisional Outturn 2021/22

Report by:

Cabinet Member for Fairer Chelmsford

Officer Contact:

Phil Reeves, Accountancy Services Manager (S151 Officer)

Email Phil.Reeves@chelmsford.gov.uk Telephone 01245 606562

Purpose

1. To report the capital expenditure incurred in 2021/22 and the resources used to finance it.
2. To update the approved Capital Schemes for variations in cost which have been identified at outturn and to date.
3. To update the approved Asset Replacement Programme for 2022/23 for variations in cost and timing which have been identified at outturn and to date.

Options

To either accept or reject the recommendations.

Preferred option and reasons

To accept the recommendations to enable services to proceed with the capital schemes and replacements required to continue to deliver services.

Recommendations

That the Cabinet approves the following:

1. the proposed Asset Replacement Programme for 2022/23, the increase in scheme costs £6k, the rephasing of spend from 2021/22 £271k and proposals for new items £43k as shown in **Appendix 3** and detailed in **paragraph 4.2** of this report.

And that the Cabinet recommends to Council that it:

1. approve the latest proposed budgets for Capital Schemes, an increase of £4.419m, shown in **Appendix 1** and detailed in **paragraph 3.1**;
2. approve budgets for two new schemes, detailed in **paragraph 3.5**:
 - i) Army and Navy Sustainable Transport package, capped at £4m;
 - ii) East Chelmsford Cycling and Walking Connectivity, capped at £1.5m;
3. note the outturn on the 2021/22 Asset Replacement Programme £3.849m, shown in **Appendix 3** and detailed in **paragraph 4.1**;
4. note the Asset Replacement Programme for 2022/23, £6.007m as shown in **Appendix 3** and detailed in **paragraph 4.2**;
5. note the proposed Asset Replacement programme deferred approved schemes from 2022/23 to 2023/24, £0.154m, shown in **Appendix 3** and detailed in **paragraph 4.2**; and
6. note the method of funding the capital expenditure incurred in 2021/22, as set out in the table in **paragraph 5**.

1. Background

The Council has a long-established process for monitoring and reporting its forecast expenditure and income against approved estimates. Formal monitoring reports are prepared on a regular basis and these are supplied to all Cabinet Members.

2. Introduction

There are two types of expenditure, capital and revenue.

Capital expenditure relates to the acquisition or enhancement of assets which have a useful life in excess of 12 months and are charged to the Council's balance sheet and shown as fixed assets (a fixed asset being an item that can be in use for more than one year). To be an enhancement, the expenditure on the asset must lengthen substantially the useful life of the asset, increase substantially the open

market value or increase substantially the extent to which the Council can use the asset.

Revenue costs are ongoing. They are incurred to run an asset or to provide a service.

2.1 Capital Programme

The capital programme is split between larger schemes (works, improvements and refurbishments) and an asset replacement programme.

Services submit bids annually for schemes to be added to the capital programme. The schemes should add value to the organisation, provide revenue savings or additional income, move forward Our Chelmsford: Our Plan objectives or have statutory/health and safety implications.

The Asset Replacement Programme is required to maintain the existing level of service delivery by ensuring there is provision to replace items of equipment and vehicles on a regular basis. Approval of individual items is on an annual basis.

2.2 Capital Resources

Capital expenditure is funded in a number of ways, which may include grants, receipts, third party contributions, contributions from revenue, internal or external borrowing and the use of external leasing.

When capital resources are spent, the amount available to invest is reduced and therefore the amount of interest income received is reduced, which in turn affects the revenue budgets available.

Where internal or external borrowing is used to fund the capital programme, a provision for repayment of the borrowing (Minimum Revenue Provision) is required, which again puts pressure on revenue budgets.

2.3 Capital Reporting

A 'Capital Programme Update' report is taken to Cabinet in January and a 'Capital Programme Update and Outturn' report is taken to Cabinet/Council in July each year. A further 'Capital Programme Monitoring and Update' report is taken to Cabinet in November.

It is important to closely monitor capital expenditure as this allows judgements to be made for the Council's cash investments. If a large scheme is likely to be delayed, this will provide an opportunity to invest the money until it is required, therefore increasing interest earnings.

2.4 Methods of Approval

New schemes submitted by services are recommended by Cabinet in January and approved by Council in February each year.

During the year, approval can be sought for further schemes or extensions to existing ones via supplementary approval or the use of urgency letters, depending upon the level of expenditure required. An urgency letter authorises the Leader of the Council and Chief Executive to incur additional expenditure in extraordinary circumstances.

When schemes are approved, they are added to the capital programme and monitored throughout the year.

3 Capital Schemes

Appendix 1 shows that there has been £1.396m approved since the last report to Council in February 2022. The table below provides details.

Last Approved Budget February 2022 Council	£148.259m
Existing Schemes increased budgets Scheme number 13 – Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy, and Affordable and Social Housing. Tenders received back for works to extend the hostel were higher than the original estimate. This is due to inflation in the cost of building materials and also changes to the design. The original budget for these works was £325k and based on returned tenders the cost has increased to £475k. This scheme will provide an additional 6 rooms at the hostel, some with improved bathrooms, which will reduce the pressure on the budget for bed and breakfast accommodation.	£0.150m
Scheme number 1 – Theatres' Modernisation. Following the return of the tenders, an additional sum was approved by Council in March 2022. This budget has increased from £1.5m to £2.746m.	£1.246m
Total Approved Budget	£149.655m

3.1 Monitoring Against Latest Approved Budgets

Appendix 1 gives the overall capital outturn information for the completed Capital Schemes at the end of March 2022 and the latest forecast expenditure for the ongoing scheme costs. It identifies the variances in total individual scheme costs.

Appendix 1 shows that the proposed cost of the Capital Schemes has increased by a net £4.419m against the latest approved budget of £149.655m, or 2.95% of the overall Capital Schemes' costs. The table overpage provides a summary.

Approved Budget	£149.655m
Proposed Reductions in Scheme Costs – see Appendix 1 Scheme number 33 – Mass Tree-planting and Woodland Creation. Spend transferred to revenue, not reduction in planting.	-£0.069m
Proposed Increases in Scheme Cost Requires Approval – see Appendix 1 for details	
Scheme number 5 – Enabling Lockside Growth Area.	£0.956m
Scheme number 8 – Land Acquisition Cemetery/Crematorium	£2.400m
Scheme number 12 – Housing Initiatives to support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing – Purchase of Properties and refurbishments.	£0.790m
Scheme number 55 – Chelmer Waterside	£0.375m
Other Smaller Schemes – see Scheme 29, 31 and 74	£0.015m
Total £4.286m	
Actual Increases in Completed Scheme Cost – do not require approval, to be noted.	£0.030m
Actual Reductions in Completed Scheme Costs, to be noted	-£0.078m
Total Proposed Budget Capital Schemes	£154.074m

3.2 **Appendix 2** provides narratives, for those variances in excess of £25,000, against the Latest Approved Budget.

3.3 **Appendix 1** shows that there are some schemes reported as being delivered late.

The majority of these schemes are reliant upon conditions outside the control of project officers, such as obtaining planning permission and consents and paying over CIL and Section 106 grants to third parties, which are dependent upon works they have completed. The delay in the spend is favourable to the Council in terms of investment and returns.

The forecast expenditure for the year 2021/22 was £24.202m. The actual expenditure for 2021/22 was £9.189m. This is a net reduction for the spend in-year of £15.013m or 62%. The table overpage provides details of the schemes and shows the major variations.

<u>Schemes</u>	
Schemes 65–75 – Various CIL Grants to third parties. Spend dependent upon third parties. The budgets have been deferred to 2022/23.	-£1.187m
Scheme 5 – Enabling Lockside Growth Area – The spend on this scheme is dependent upon negotiations with third parties and this has caused delays to the progress of the scheme. The budgets have been deferred to 2022/23.	-£1.684m
Scheme 8 – Acquisition Cemetery Land – Suitable site has not been identified.	-£2.200m
Scheme 10 – Refurbishment Commercially leased Property deferred to 2022/23. The scope for the refurbishment has changed from open plan to smaller office suites which has required a more detailed Mechanical and Electrical scope to be developed which has delayed the scheme. This will enable the property to be let for the maximum rent.	-£1.100m
Scheme 13 Housing Initiatives – (1) Extension of Hostel – delay due to requirements for additional surveys in relation to the acoustic impact on neighbouring properties. (2) Railway Street development – delay due to requirement for sensitive treatment of boundaries with adjoining properties. (3) Exceptions Sites £2m. These schemes have been rephased to 2022/23. This delay could impact the savings and income which will be generated from the implementation of the first two schemes.	-£3.360m
Scheme 54 – Chelmer Waterside Infrastructure (HIF) Access Road and Bridge – The estimated spend in-year is lower than forecast.	-£4.976m
Other variations less than £200k on individual schemes.	-£0.506m
Total In Year Underspend Against Forecast Spend	-£15.013m

This delay in expenditure was beneficial to the resourcing of the Council's 2021/22 capital expenditure, delayed the use of finite capital resources and reduced the requirement for internal borrowing in the year.

3.4 Update on Capital Schemes

3.4.1 Chelmer Waterside Infrastructure – Access Road, Bridge and Associated Works

Planning permission was granted in June 2021 and the Council has now entered into contract with a contractor for the design and build of the road/bridge, through

a two-stage design-and-build contract. Stage 1 is the detailed design and technical approval, and Stage 2 is the construction. Stage 1 is programmed to complete in April 2023, at which point a validated target price for the project will be known, with the Council having the option to proceed or not at this stage. The cost of delivery of the road and bridge will change, but this cost will not be fixed until April 2023, at which point any further budget adjustments will be the subject of future approvals. Early indications are that the price for the scheme is likely to increase significantly due to inflationary pressures, e.g. price of steel. Any additional costs are expected to be funded from CIL or higher capital receipts (sale proceeds) from nearby sites.

To date, the City Council has drawn down £4.460m of the Housing Infrastructure Fund grant from Homes England, out of a total of £13.7m. The remainder must be drawn down by the end of March 2023 under the terms of the agreement between the City Council and Homes England.

3.4.2 Land Acquisition Cemetery/Crematorium

Experience gained whilst researching potential sites has identified a need to increase the budget for the land purchase. The causes of the increases are that availability of suitable sites in Chelmsford is limited, land prices have been rising and most suitable sites have the potential for other development options. Before any purchase is made, there will be a review of the business case for the scheme.

3.4.3 Flood Defences

The Environment Agency (EA) has taken the view it will not continue with the Margaretting scheme. The Council has, as required by statute, transferred to revenue £0.74m of costs which had been incurred on the scheme in prior years. The remaining capped capital budget of £5.759m has been retained subject to future review by Council. The EA is looking at new options that will include a combination of upstream natural flood management measures, linked to the wider green infrastructure initiatives, together with localised flood conveyance and storage interventions and limited physical flood defence barriers in the city centre, rather than relying on a single upstream flood storage measure such as the one previously proposed at Margaretting. A further report will be made to Council in due course.

3.4.4 Inflation

Many of the budgets set out in Appendix 1 are approved on the basis of the best advice available at the time the bid requests were submitted. However, as previously mentioned in the Council's Budget Report 2022/23, there is unprecedented inflationary pressure in the economy which makes the outcomes of tenders for goods and services erratic. Changes in project cost will be reported and approvals for additional budgets dealt with under the normal financial delegations.

3.5 New Scheme Proposals

Essex County Council is developing an outline business case for the Army and Navy Sustainable Transport Package. This includes a junction improvement (with the selected preferred option the hamburger roundabout), enhancements to park and ride at Chelmer Valley and Sandon, and improved cycling and walking connectivity in the immediate vicinity of and through the junction. The estimated cost at this stage of the project is £67m and the business case should be submitted to the Department for Transport this summer, with a planning application expected in early 2023 and construction scheduled to start in winter 2024. The Department for Transport requires a 15% local contribution to be identified as part of the business case (circa £10m). CCC, in partnership with ECC, has been asked to fund the local contribution, with CCC providing a £4m capped contribution from the Community Infrastructure Levy (CIL). CCC's contribution is conditional upon ECC working with the City Council to develop proposals for additional cycling and walking connectivity between the new developments in east Chelmsford and the City Centre. A further £1.5m CIL is identified for this purpose. Council approval will be needed for these proposals to proceed.

4. Asset Replacement Programme

4.1 Monitoring Against Latest Approved Budget

Appendix 3 shows that the final outturn for 2021/22 was underspent by a net £250k or 6.1% when compared to the approved budget of £4.099m. £271k has been moved forward into 2022/23 or later years. The remaining net £21k relates to cost increases in 2021/22. The table below provides a summary.

Approved Budget 2021/22	£4.099m
Proposed Change in scheme phasing	-£0.271m
Variation in Asset Replacement Cost	£0.021m
Total Outturn 2021/22	£3.849m

4.2 **Appendix 3** also shows that the proposed budget for 2022/23 asset replacements is £6.007m compared to the approved budget of £5.844m. This is a net increase of £0.163m, or 2.79%. £0.271m is due to asset replacements being delayed from 2021/22 until 2022/23. The table below provides a summary.

Approved Budget 2022/23	£5.844m
Proposed Change in scheme phasing from 2021/22 Requires Approval – For detail see Appendix 3 2022/23 column “Rephasing from 2021/22 – Requires Approval”	£0.271m
Proposed Change in approved scheme phasing from 2022/23 to Later Years – For detail see Appendix 3 2022/23 column “Approved Replacements Deferred from 2022/23 to Later Years”	-£0.154m
Proposed New Spend to be added to the Replacement Programme Requires Approval – see Appendix 3 2022/23 column “New Budget Asset Replacements Requires Approval” – High Level Ceiling Fans at CSAC South Woodham Ferrers Pool Fire Doors Cherry Picker Riverside Ice Rink Hylands House Water Boiler Total £0.043m	 £0.015m £0.008m £0.019m £0.001m Total £0.043m
Increases in Asset Replacement Cost Requires Approval – For detail see Appendix 3 2022/23 column “More/Less Than Approved Budgets – More Requires Approval”	£0.006m
Reduction in Asset Replacement Cost	-£0.003m
Total Proposed Budget 2022/23	£6.007m

4.3 **Appendix 4** provides narratives, for variances in excess of £25k for 2021/22 and 2022/23, against the Latest Approved Budgets.

5. Funding of Programme

The application of resources to meet capital expenditure incurred in 2021/22 is shown in the table on the next page. The discussion and approval for the funding is sought in the Medium-Term Financial Strategy elsewhere on the agenda

<u>Method of Funding</u>	<u>2021/22 Spend</u>
Capital Receipts	£1.747m
Revenue Contribution	£1.988m
Capital Grants and Contributions	£2.675m
S106 Agreements	£0.501m
Community Infrastructure Levy (CIL)	£0.656m
Leasing	£0.271m
Internal Borrowing against Reserves & Other cash-backed balances	£5.199m
Total	£13.037m

6. Conclusion

- 6.1 The total cost of the Capital Schemes is forecast to be a net £4.419m more than the latest approved budget.
- 6.2 There are some large schemes which have not been delivered against the originally agreed milestones due to circumstances outside the control of the project officers.
- 6.3 The underspend on Capital Schemes in 2021/22, £15.013m, has reduced the requirement to identify capital resources for the funding of the programme and is beneficial to the Council as it has reduced the requirement for internal borrowing in this financial year. Some of the delays in spend will have impacted on income-generation and savings which will now be realised in a later year.
- 6.4 The 2021/22 Asset Replacement Schemes are £250k less than the latest approved budget. £271k has been moved forward into 2022/23. The realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources.
- 6.5 The resourcing of the capital expenditure in 2021/22 is showing a requirement to internally borrow £5.199m. The cost of borrowing is reflected in the Medium-Term Financial Strategy (MTFS) Report elsewhere on the agenda.
- 6.6 Council is asked to approve budgets for two new schemes:
 - i) Army and Navy Sustainable Transport Package, capped at £4m. This is dependent on ECC undertaking a second scheme for;
 - ii) East Chelmsford Cycling and Walking Connectivity, capped at £1.5m.

- 6.7 Approval is sought for the capital and replacement programme cost changes identified in the recommendations.

[List of appendices:](#)

Appendix 1 Capital Schemes – For each capital scheme, a comparison of the budgeted expenditure against the completed Schemes Outturn or with the Directors of Service forecast for the ongoing scheme.

Appendix 2 Capital Schemes Major Variations Narratives.

Appendix 3 Asset Replacement Schemes for 2021/22, a comparison of the budgeted expenditure against the Outturn.

Also, the Asset Replacement Schemes for 2022/23, a comparison of the budgeted expenditure against the Directors of Service forecast.

Appendix 4 Asset Replacement Schemes Major Variations Narratives for the years 2021/22 and 2022/23.

[Background papers:](#)

Nil

[Corporate Implications](#)

Legal/Constitutional:

None.

Financial:

As noted in the report.

Contribution toward achieving a net zero carbon position by 2030:

A number of schemes contribute towards this goal.

Personnel:

None.

Risk Management:

Interest earnings understated and budget reductions made when not necessary.

Equality and Diversity:

None.

Health and Safety:

None.

Digital:

None.

Other:

None.

Consultees:

All Services, Audit & Risk Committee

Relevant Policies and Strategies:

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

Medium-Term Financial Strategy

Capital, Treasury and Investment Strategies

		CAPITAL SCHEMES	VARIATION IN TOTAL CAPITAL SCHEME COSTS						
			Latest Approved Budget - Approved February 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Expenditure to 31/03/2022			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
		<u>Connected Chelmsford</u>							
54	1	Theatres' Modernisation	1,000	1,746	2,746	0	2,746	Programming of works still to be determined	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.
	2	Museum Roof Access Works Health and Safety	11		11	0	11	NEW	Approved Council February 2022. Delegated authority to the director to spend within the approved budget.
		<u>Fairer Chelmsford</u>							
10	3	Land Development Site Investigations	365		365		365	Programming of works still to be determined	Approved Cabinet November 2021.
30	4	Land Sites' Disposal Costs	612		612		612	NEW	Approved Council February 2022. Delegated authority to the director to spend within the approved budget.
1,954	5	Enabling Lockside Growth Area	450	4,550	5,000	956	5,956	In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021.
200	6	Galleywood Hall Development Industrial Units	1,200	650	1,850		1,850	No	Approved at Council February 2019. Following a reassessment of the budget £400k was removed. Additional £200k was approved November 2021 due to rising prices of materials and construction. An additional £850k was approved by Council February 2022.
65	7	Bridge Repairs	300	-185	115	-50	65	Completed	Approved at Council February 2019. May 2020 non urgent works deferred to later year.
	8	Land Acquisition Cemetery/Crematorium	1,800	1,800	3,600	2,400	6,000	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020.
	9	High Chelmer Roof	1,500		1,500		1,500	Awaiting Proposal	Approved at Council February 2020 and programmed for 2021/22. These works have now been programmed to commence in 2022/23.
	10	Refurbishment of Commercially Leased Properties	720	380	1,100		1,100	Under Review	Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021.
7,164	11	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (i)	7,000	143	7,143	21	7,164	Completed	Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Additional £50k approved November 2021. Budget increased Council February 2022.
	12	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii)		10,920	10,920	790	11,710	Business Case to be Developed	Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Purchase 20 houses and modular units.
65	13	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	9,900	-5,525	4,375		4,375	Business Cases to be Developed	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2023/24. £150k approved by Cabinet June 2022 for increased cost of works to Hostel expansion.
237	14	Enabling Role - Housing	237		237		237	Completed	Grant payment to CHP.
	15	Initiatives to increase the provision of Affordable Housing Funded by S106	1,643		1,643		1,643	NEW	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.
467	16	Drakes' Lane Travellers Site	1,950		1,950		1,950	Yes	Approved by Urgency March 2021.

		Latest Approved Budget - Approved February 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Net Expenditure to 31/03/2022		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s				
	Greener and Safer Chelmsford									
	17 Cemetery and Crematorium Infrastructure	6,800		6,800		6,800		Business Case to be Developed	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.	
	18 Cemetery Toilet Refurbishment	86		86		86	NEW	Yes	Approved at Council February 2022. Delegated authority to Director to spend within approved budget.	
	19 Civic Offices Improvement Programme	460		460		460		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.	
142	20 Community Flood Improvements	184		184		184		Works Completed Monitoring to continue	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.	
149	21 Hylands Park North Kiosk Toilet Refurbishment	60	88	148	1	149		Completed	£60k approved Council February 2019. Scheme review resulted in additional £138k approved July 2020 Cabinet. Returned tenders came in at £148k and the budget was increased by an additional £10k, approved at Council Feb 2021.	
35	22 Hylands' Hanbury Memorial Garden	45		45	-10	35		Completed	Approved via supplementary estimate September 2019 funded by a contribution from The Friends of Hylands House (FOHH).	
72	23 Hylands' Outdoor Wedding Ceremony Area	75		75		75		Yes	Approved supplementary estimate June 2021 £75k	
260	24 Saltcoats Park and Compass Gardens Car Park	253		253	7	260		Completed	Approved at Council February 2020 and programmed for 2021/22.	
	25 Beaulieu Park Pavilion Refurbishment	57		57		57		No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works.	
	26 Chancellor Park Pavilion Works	46		46		46		No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works.	
	27 Chelmer Park Pavilion Roof	148		148		148	NEW	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	28 Beaulieu Pavilion Health and Safety Works	33		33		33	NEW	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	29 Beaulieu Park Conversion Tarmac Court to 3G Pitch and Flood lights	90		90	5	95	NEW	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	30 Oaklands Park Upgrade Tennis Court to MUGA	91		91		91	NEW	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	31 Central Park Lake Edge Works S106	62		62	2	64	NEW	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	32 Rivers and Waterways Improvements	600	-107	493		493		Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Programmed over 3 years commencing 2021/22.	
14	33 Automatic Floodgates and Provision of Locks - Feasibility		107	107		107		No	Budget approved September 2020 Cabinet. Budget vired from Rivers and Waterways Improvements.	
56	34 Mass Tree planting and Woodland Creation	4,400		4,400	-69	4,331		Yes	Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places and the Director of Finance and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22.	
	35 Green Initiatives	500		500		500	NEW	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.	
9	36 CIL Landscape Enhancement Scheme Chignal Road	11		11		11		Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.	
9	37 CIL Parks and Open Space	6	10	16	-1	15		No	£6k CIL funding approved July 2019 for Coronation Park Basketball Court. £10k additional budget approved supplementary estimate. Location also changed to Lionmede Park.	
533	38 Chelmsford Indoor Market Refurbishment	500	100	600		600		Indoor works completed, outdoor works progressing	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.	
	39 Retail Market Drainage Improvements	31		31		31	NEW	Yes	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.	
	40 Market Road Toilet Roof	101		101		101	NEW	Yes	Approved by Council February 2022. Delegated authority to the director to spend within the approved budget.	

			Latest Approved Budget - Approved February 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Net Expenditure to 31/03/2022			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s				
40,136	41	Riverside Ice and Leisure Centre Scheme	950	39,187	40,137	-1	40,136		Building Works Completed. Final fees paid.	£700,000 approved Council July 2015. £60,000 budget vired to fund conversion of outdoor pool to car park. £180K approved April Cabinet for Project Manager and a further £945K approved June Cabinet for the design to RIBA stage 7. £400K approved at October 2016 Cabinet for early enabling works (main contractor). Additional £1m approved Cabinet April 2017 for early works. Additional early works required a further £500k, approved in June. £250k approved for Cafe fit out at Council February 2018. Full scheme cost excluding cafe approved at July 2018 Council as £35.216m. Additional £4.5m approved at February 2019 Council. Additional £200k approved by Cabinet November 2019.	
22	42	Riverside Elevations	2,000		2,000		2,000		Under Review	£2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme.	
31	43	Dovedales - Grant for Works 2019/20	32	2	34	-3	31		Completed	Approved at Council February 2019 contribution towards new studio. Additional £2k approved November 2019 cabinet based on actual spend.	
15	44	Dovedales - Grant for Works 2020/21	42	-2	40	1	41		Deferred	Approved at Council February 2020 and programmed for 2020/21.	
22	45	Dovedales - Grant for Works 2021/22	23		23	-1	22		Completed	Supplementary estimate approved March 2021 £23k grant for repairs to roof.	
	46	Dovedales Sports Centre Refurbishment	1,464		1,464		1,464	NEW	Scheme to be developed	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.	
168	47	Hylands House Refurbishment First Floor Accommodation	174		174	-6	168		Works Completed	£174k approved at Council February 2019 3 year programme for refurbishment.	
35	48	Hylands House Refurbishment Terrace Room	35		35		35		Completed	£35k approved via supplementary estimate December 2019. Scheme funded by contribution from Friends of Hylands House.	
	49	Hylands House Stable Block Toilets	44		44		44		Deferred	Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24	
	50	Hylands House Basement Toilet	150		150		150	NEW	Yes	Approved Council February 2022. Delegated authority to Director to spend within the approved budget.	
		Sustainable Development									
926	51	Flood Alleviation Scheme	5,359	400	5,759		5,759		Business case to be developed	This budget was approved in July 2013 for an EA Scheme which has now been withdrawn. £741k related to works towards the design of the scheme. This has now been categorised as a revenue spend. The budget will be reviewed by Council at later date	
10	52	Public Realm Wayfinding Signs Phase 3	150		150		150		Yes	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23	
1,044	53	Public Realm Tindal Square Design and Construction	160	3,678	3,838		3,838		Scheduled to complete by Oct. 2022	Approved at Council February 2018. The design works were completed until 2020/21. Additional £320k approved by Cabinet June 2020 for design and tender to be funded from S106. Report taken to Cabinet October 2021 and urgency letter requested for approval of the agreed scheme an additional £3.358m.	
5	54	Chelmer Waterside Infrastructure - CCC Budget		250	250		250		No	Virement allocated for HIF bid design works.	
2,014	55	Chelmer Waterside Infrastructure (HIF) - Grant Funded	15,500	11,095	26,595	375	26,970		No	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing.	
1,461	56	S106 Beaulieu Park Station	100	1,550	1,650		1,650		Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.	
2,865	57	S106 Beaulieu Park Station 2nd Phase	2,917	514	3,431		3,431		Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.	
1,311	58	S106 Beaulieu Sports Facility	477	834	1,311		1,311		Completed	£477k approved by Cabinet in January 2019 with delegation to spend further S106 contributions when received. Additional contributions received and therefore added to approved budget.	
38	59	S106 Public Art Bond Street	44		44	-6	38		Completed	Approved by delegation February 2019.	
12	60	S106 Stonebridge Illuminations	37	6	43		43		No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.	
2	61	S106 River Can Pathway Lighting Design	10	6	16		16		No	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k.	
14	62	S106 Public Art Channels	21	79	100		100		No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021.	
106	63	CIL REFUS Schemes 19/20+C6	72	34	106		106		Completed	Scheme approved April 2019 £72k. Revenue Expenditure Funded by Capital Under Statute (REFCUS). NEW £30k various CIL schemes approved July 2019.	
10	64	CIL REFUS Schemes 20/21	17	-7	10		10		Completed	£17k Approved March 2020.	

Table 16 - Capital Schemes - Reasons for Projected Variations to Latest Approved Total Scheme Costs More Than £25,000

	Scheme Description	Latest Approved Budget £000's	Latest Estimated Expenditure - If Additional Budget Requires Approval £000's	Variation £000's	Variation Type	Percentage Change in Scheme Cost	Reason
	Fairer Chelmsford						
5	Enabling Lockside Growth Area	5,000	5,956	956	Increase in budget	19.12%	Service manager has reviewed programme and increased budgets for acquisitions required under compulsory purchase orders, fees and demolition budgets required to enable site to be available for development.
7	Bridge Repairs	115	65	-50	Reduction in budget	-43.48%	This scheme is now complete. The original budget included estimates for a number of bridges where the work was not required.
8	Cemetery/Crematorium Land Acquisition	3,600	6,000	2,400	Increase in budget	66.67%	There are a few factors in relation to this increase. Land prices have increased but a lot will depend on the land eventually purchased. If the land acquired is agricultural land with no development potential then the original budget would suffice. However, the experience to date is that nearly all the suitable sites that have been considered do have some development potential and because of this the budget should be increased.
12	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	10,920	11,710	790	Increase in budget	7.23%	This budget is for the provision of modular units and the acquisition of 20 properties for temporary accommodation. When the budget was set it was based on an average cost of £350k per property but, due to the increasing house prices, a request has been made to increase this to £375k. This equates to an additional £540k budget. This will help to ensure that there is more stock availability on the market to select from which will result in the properties being available for use this financial year. The service manager has also requested a £250k budget provision to refurbish the properties. With the increased budget, this will still be a more cost effective option for temporary accommodation.
	Greener and Safer Chelmsford						
34	Mass Tree Planting and Woodland Creation	4,400	4,331	-69	Reduction in budget	-1.57%	Although this is being reported as a variation to the capital budget, this spend was incurred and has been transferred to revenue as it did not qualify under accounting standards as a capital spend
	Sustainable Development						
55	Chelmer Waterside Infrastructure	26,595	26,970	375	Increase in budget	1.41%	Increase in budget required for increased cost of design and Project Manager appointment

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME																					
2021/22											2022/23										
2021/22 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO OUTTURN											2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS										
VARIATION FROM 2021/22 BUDGET ONLY											2022/23 BUDGET										
Net Expenditure to 31/3/2022	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2021/22	Additional/ Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2021/22	Analysis of Variations			Variance for 2021/22 Additional Cost	Total Outturn 2021/22	Original Approved Estimate 2022/23	Additional/ Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2022/23	Variations			Approved Replacements Deferred from 2022/23 to Later Years	Total Proposed Budget Requirement for 2022/23		
						Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets							Re phasing from 2021/22 Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Item Requires Approval				
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s		£000s		£000s	£000s	£000s	£000s	£000s	£000s		
	Connected Chelmsford																				
24	1 Digital Services Replacement Programme	290	-267	PH, RD, V	23			1	24	234				234					234		
	2 Digital Helpdesk System Replacement	25			25	-25			0					0	25				25		
52	3 Website Upgrade	75	-23		52				52	98				98					98		
	4 Investment in Digital Technology - DPO									300				300					300		
76	5 Theatres' Equipment	115	-40	PH	75			1	76	40				40		5			45		
16	6 Cramphorn Theatre Replacement Floor	17			17			-1	16					0					0		
	7 Museum Equipment and Vehicles									30				30				-24	6		
	Fairer Chelmsford																				
	No Schemes				0				0					0					0		
	Greener and Safer Chelmsford																				
3	8 CCTV Replacement Equipment	13	-10		3			0	3	10				10					10		
	9 CCTV Various Schemes Sites CIL	3	-3		0			0	0	3				3					3		
162	10 CCTV Safer Streets Bunny Walks		165	SEG	165	-3		-3	162					0	3				3		
	11 Street Lighting Safer Streets Bunny Walks		20	SEG	20	-20		-20	0					0	20				20		
37	12 CCTV Home Office GRIP Funded		37	SEG	37			0	37												
58	13 Crematorium Equipment	17	44	SEN, PV	61	-3		-3	58	84				84					84		
11	14 Crematorium Columbarium	14	-3	PV	11			0	11					0					0		
4	15 Civic Centre Alarm	6			6			-2	4					0					0		
12	16 Civic Centre Heating	13			13	-1		-1	12	32				32	1				33		
	17 Civic Centre Server Room Air Conditioning	40			40	-40		-40	0					0	40				40		
	18 Civic Centre Floor Replacements	31	-31		0			0	0	31				31					31		
8	19 Print and Post Room Replacement Equip.	28	-19	RD, V	9			-1	8	3				3					3		
3	20 Dovedales Replacement Equipment	10	-6	PH	4	-1		-1	3	10				10	1				11		
17	21 Riverside Replacement Equipment	48	-31	PH, PV, SEN	17			0	17	24				24			19		43		
	22 Riverside Plant									2				2					2		
16	23 CSAC Replacement Equipment	135	-118	PH, PV, SEN	17			-1	16	158				158				-105	53		
	24 CSAC Floodlights									61				61		-1			60		
13	25 CSAC Plant	6	9	PH, SEN	15			-2	13	6				6			15		21		
3	26 SWFLC Replacement Programme	69	-66	PH,PV	3			0	3	65				65		-2			63		
8	27 SWFLC Plant Replacement	7	1	SEN,PV	8			0	8	25				25			8	-25	8		
	28 SWF 3G Pitch				0			0	0	20				20					20		
	29 Hylands House Fire Alarm				0			0	0	15				15					15		
	30 Hylands Pavilion Skins and Linings				0			0	0	60				60					60		
	31 Hylands pavilion Equipment				0			0	0	14				14			1		15		
242	32 Play Area Replacements	265	13	PV	278	-35		-1	242	311				311	35				346		
22	33 Sports Equipment, floodlights, Irrigation	35			35			-13	22					0					0		
117	34 Hylands Car Park Machines and CCTV	135	-10		125	-5		-3	117					0	5				5		
382	35 Parks Replacement Vehicles and Equipment	624	-230	PH, PV	394			-12	382	547				547					547		
	36 Waterhouse Lane Depot Heating				0			0	0	10				10					10		
17	37 PHPS Vehicles and Electric Chargers	100	-81	PV	19			-2	17					0					0		
	38 PHPS Air Monitoring Equipment	20	-20		0			0	0	80				80					80		
	39 PHPS Street Lighting	21	-21		0			0	0	21				21					21		
	40 CIL Street Lighting Meadows Car Park	5	-5		0			0	0	5				5					5		
	41 Travel pool Cars	60	-60		0			0	0					0					0		
	42 Scootas for the Disabled	10	-10		0			0	0					0					0		
	43 Scootas for Market Vehicle	31	-1		30			0	30					0					0		
271	44 Street Cleansing Vehicles	720	-448	PH	272			-1	271	605				605					605		

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Appendix 3

[illegible]

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>2021/22</u>						
	<u>Connected Chelmsford</u>						
2	Digital Helpdesk System Replacement	25	0	-25	Rephasing of spend to 2022/23	-100.00%	New system completed in early 2022/23. When original budget approved, system options had not been reviewed. Option selected was based more on annual licence costs than up-front consultancy costs which are revenue rather than capital expenditure. The remaining budget has been rephased awaiting advice from service as to whether it is required.
	<u>Greener and Safer Chelmsford</u>						
17	Civic Centre Server Room Air Conditioning	40	0	-40	Rephasing of spend to 2022/23	-100.00%	Works commenced 8th April 2022 resulting in budgets being rephased to 2022/23
32	Play Area Replacements	278	242	-36	Rephasing of spend to 2022/23	-12.95%	Works commenced towards the end of the financial year and are ongoing at Church Hill Rise Play Area resulting in rephasing of budgets to 2022/23
47	Hit Squad Replacement	83	40	-43	Rephasing of spend to 2022/23	-51.81%	1 x vehicle and equipment not delivered by 31/3/2022 therefore budgets rephased to 2022/23
50	Recycling Vehicles	1484	1386	-98	Rephasing of spend to 2022/23	-6.60%	2 x vehicle and equipment not delivered by 31/3/2022 due to longer than estimated lead-in times for delivery therefore budgets rephased to 2022/23
55,56, 57,58	DFG Funded Expenditure	600	672	72	Additional expenditure funded by DFG	12.00%	It is difficult for the service to predict the level of spend as it is based on third party applications and the timing of completed third party building works. There have been discussions with other councils to look at other ways of using the grant but as it must be used for capital expenditure this restricts its uses. New initiatives have been introduced which allow the use of DFG to fund discretionary loans and Remaining Independent Assistance Grants and Loans for individuals.
	<u>2022/23</u>						
	<u>Connected Chelmsford</u>						
2	Digital Helpdesk System Replacement	0	25	25	Rephasing of spend from 2021/22	100.00%	See above
	<u>Greener and Safer Chelmsford</u>						
17	Civic Centre Server Room Air Conditioning	0	40	40	Rephasing of spend from 2021/22	100.00%	See above
23	CSAC Equipment Replacement	105	0	-105	Rephasing of spend to later year	100.00%	Budget rephased to 2023/24 to coincide with other major proposed works and to minimise disruption/closure of the facility.
27	SVWFLC Plant Replacement	25	0	-25	Rephasing of spend to later year	100.00%	Budget rephased to 2023/24 to coincide with other major replacement works required at the pool to minimise closure of the facility.
32	Play Area Replacements	0	35	35	Rephasing of spend from 2021/22	97.22%	See above
47	Hit Squad Replacement	0	43	43	Rephasing of spend from 2021/22	100.00%	See above
50	Recycling Vehicles	0	98	98	Rephasing of spend from 2021/22	100.00%	See above



Chelmsford City Council Cabinet

12th July 2022

Medium-Term Financial Strategy 2022/23 – 2027/28

Report by:

Cabinet Member for Fairer Chelmsford

Officer Contact:

Phil Reeves, Accountancy Services Manager Section 151 officer,
Phil.reeves@chelmsford.gov.uk, 01245 606562

Purpose

The purpose of this report is to provide an update on the Council's projected financial position over the medium term.

Options

After consideration of the updated financial forecast to:

1. Agree to the Medium-Term Financial Strategy, or
2. Propose other amendments to the Strategy

Preferred option and reasons

Approve the strategy as it provides a flexible response to the risks the Council faces

Recommendations

1. That Cabinet note the updated financial forecast.
2. That Cabinet recommend to Council for approval:
 - a. the updates to the capital strategy set out in Appendix 2;
 - b. the approach to reserves set out in the report and Appendix 5 of the report;
 - c. the Financial Strategy as set out;
 - d. the budget guidelines for preparation of the 2023/24 budget set out in Appendix 6;
 - e. the carry forward of budgets of £247k from 2021/22 for initiatives which were delayed, as detailed in Appendix 6; and
 - f. additional Revenue Budget of £80k for 2022/23 (equivalent to £135k in a full year) for the switch to a low-carbon fuel for the Council's larger vehicles, as detailed in Appendix 6.

1. Introduction

This report updates the Council-approved (July 2021) Medium-Term Financial Strategy (MTFS) for the period 2022/23 – 2027/28, which provides a financial framework to support delivery of the Council's priorities as set out in "Our Chelmsford; Our Plan".

The Audit and Risk Committee on 15 June received a provisional revenue outturn report for 2021/22. This identified:

- expenditure and income in many areas do not align to budgets sufficiently, as a consequence of changes brought about by Covid-19; and
- a higher level of unearmarked reserves than planned, resulting from one-off factors.

This financial strategy reflects the issues identified to Audit and Risk Committee.

2. Executive Summary

Each summer, the Council receives an updated financial strategy report setting out the projected budget shortfalls for the coming 5 years and actions to alleviate them. Pre-pandemic, the projected shortfalls reflected overspends against net service budgets which were offset by windfall income from Business Rate Retention. During the pandemic the Council's finances unsurprisingly worsened as income fell dramatically and expenditure also became less predictable. Significant Government support partly protected the level of revenue reserves and the Council also took actions to increase reserves to help manage risks.

On the 29th June Government announced that Local Government would receive a financial settlement that would set out funding for 2 years from 2023/24. A consultation by Government is to be published shortly. There are no details available to determine what the effect of the funding changes will be on Chelmsford. Additional costs faced by local authorities from inflation would seem to imply that cutting or re-distributing local government funding would not be a straightforward prospect.

The Council's income and expenditure budgets are under pressure from structural changes arising from Covid-19 and the economic environment. The budget for 2023/24 (financial year starting 1 April 2023) is currently forecast to have a shortfall of £4.2m reflecting higher Council expenditure than income. This arises from expenditure increasing as inflation is running at 40-year highs, uncertainty over Government funding, and the potential for lower income .

The projected deficit for 2023/24 has risen from £1.7m reported to February 2022 Council, mostly as a result of the worsening inflation and economic position (details are in Appendix 1 of the report). The forecast is likely to need significant revision at a later date, due to unpredictability of world events.

When faced with a projected budget deficit, the Council must plan and undertake correcting action. This should be one or more of the following: cut expenditure (and possibly services), seek new income, use reserves to meet temporary costs and loss of

income, or use reserves to smooth in expenditure cuts or loss of income over more than one year. The dilemma for members is deciding what is an appropriate mix as:

- if costs fall and/or income recovers, any cuts may be reversed later but, in the meantime, services have been removed from the public and long-term damage may have been made to the capacity of the Council to deliver services;
- if reserves are used to smooth in or meet what were thought to be temporary cost pressures, but these pressures continue, reserves could run below safe levels whilst financial pressures accumulate. It may then become necessary to make large cuts in a rushed and damaging way.

The Council's unearmarked reserves are at historically high levels, reflecting the financial strategy, so the use of reserves would be financially safe, but their use always comes with an opportunity cost of what else the reserves could have been used for.

This report tries to identify a balanced approach to the use of reserves, reflecting that some significant cost pressures in the budget may be temporary, lasting only 2-3 years. Specific reserves should be established to meet these time-limited cost pressures. After allowing for the use of reserves and actions identified in **Appendices 4 & 5**, the central forecast deficit falls to £3.2m for 2023/24.

The forecast recognises that the Council must invest in its services to achieve its ambitions. Accordingly, the projections include an additional £0.3m added to each year of the forecast to allow for enhancements. This accumulates to £1.5m of ongoing enhancements by the last year of the forecast. The first commitment against this growth provision is the recommendation to switch from diesel fuel to alternative low-carbon fuel at a cost of £80k in 2022-23 and £135k in a full year.

The balance of measures needed to bridge the shortfall for 2023/24 will only be determined when the Council sets the budget in February 2023. However, the best financial strategy to manage such a large potential deficit and significant number of risks is to maintain flexibility of response and robust reserves.

3. Background & Contents of the Report

The report contains:

Appendix 1 – Three Revenue Forecasts (Upside, Central and Downside Case) and commentary

Appendix 2 – Capital Resourcing projections and commentary

Appendix 3 – Forecasting Risks

Appendix 4 – Actions

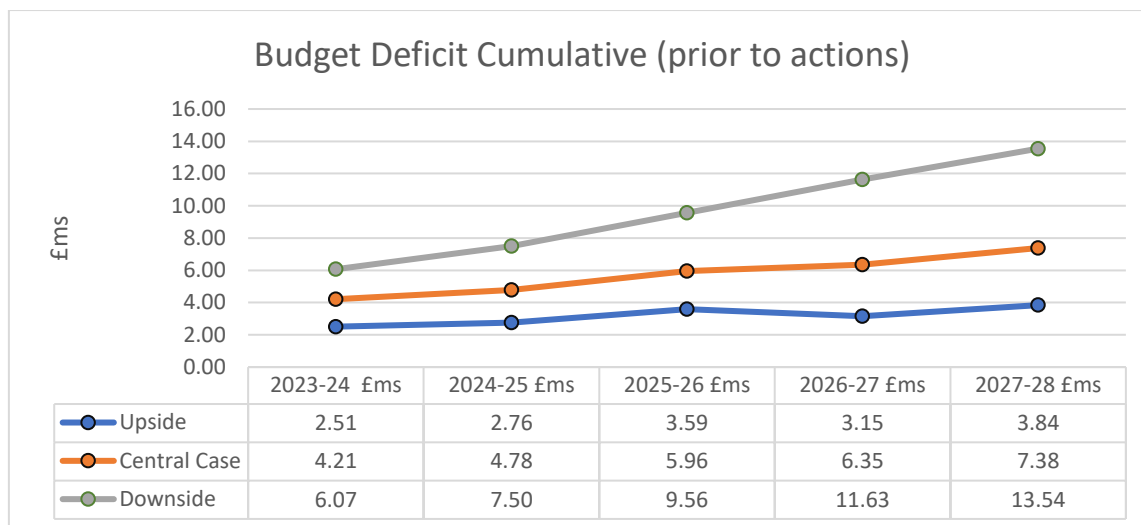
Appendix 5 – Reserves

Appendix 6 – Budget guidelines to initiate the 2023/24 budget process

Below, a summary of each of the appendices is made, ending in a conclusion.

3.1 Summary of Revenue Forecast (in Appendix 1)

A central forecast is created as a starting point for producing the budget for 2023/24. There are also upside and downside revenue forecasts to provide context. The 3 forecast scenarios are shown below. It cannot be emphasised sufficiently that forecasts include assumptions which could very quickly become outdated by worldwide events.



- a) The projected budget shortfall for 2023/24 of £4.2m is £2.5m higher than estimated in January. The reasons for the increase are detailed in Appendix 1. Key causes are inflation (including pay) and lower short-stay car-parking income.
- b) The main cost and income changes between the 2022/23 (current) budget to 2023/24 central case are:
 - i. Inflation. The forecast for 2023/24 now includes a much higher amount of additional funding than would be considered normal. The 2023/24 budget projection now assumes 4% level of pay inflation (£1.4m), as the very tight labour market makes it likely that an increase that is larger than the normal 2% will be needed. Additionally, provision has been made for an increase of £300k pa for vehicle fuel but costs are expected to fall back in 2025-26. It was assumed when the 2022/23 budget was reported that utility prices would fall by £300k in 2023/24, but this is now thought to be unlikely. Inflation for other items such as insurance, postage and building maintenance has been included. The 2023/24 projections of inflation have risen by £1.6m since the February 2022 budget report, the largest increases being pay £720k and fuel £300k. To partially offset this, an assumption has been made of £330k extra income from increasing Council fees and charges by 4% instead of 2% in 2023/24. The forecasts assume no change in car parking charges in 2023/24.
 - ii. A review of outturn expenditure identified a continued trend of higher than budgeted spend on fleet maintenance and building maintenance over a number of years. The reasons that the budget needs to increase may reflect lack of provision for inflation on these items in the past or increasing demand (City Growth) not being captured in previous reviews. These additional costs will be reviewed carefully before the budget is set in February as the best financial outcome would be to manage within existing budgets. An inflation provision has also been allowed for these items.
 - iii. A review of income budgets has identified two key items of concern:
 - The February projection of the budget shortfall allowed for an increase in High Chelmer rental income of £250k per year. Currently, there is insufficient evidence to support inclusion of additional income. The

- Higher Chelmer rental income is forecast to be £2.3m, circa £0.7m lower per year than pre-pandemic. We are awaiting details of the 2021/22 outturn position which may be £2m of net income. However, there is not yet sufficient information to predict the ongoing position.
- Car-parking income had shown a trend of rising activity during 2021/22. The 2022/23 budget assumed a small increase in activity of a couple of percent. However, early monitoring in 2022/23 suggests income could be lower than expected, particularly in short-term car parks. The central forecast assumes a £500k reduction against budget, reflecting these concerns and a potential recession impacting on City Centre activity.
- iv. Additional costs for Temporary Accommodation (£261k) are included in the 2023/24 forecast. This reflects expected higher demand for services.
 - v. Government funding assumptions are a loss of £500k per annum from Business Rate Retention income (currently supporting the budget) and £235k of Government general grants. A total loss of £735k per annum.
 - vi. The forecast assumes the use of unearmarked reserves to support temporary loss of rent and one-off costs including elections. (The forecast is not seeking approval of the use of reserves but identifying potential costs.)
- c) The assumptions behind the Upside and Downside forecasts are discussed in Appendix 1. Changes compared to the central case have been made in all periods and can be summarised as:
- i. Upside Case £2.5m budget shortfall for 2023-24. Utility costs fall in 2026-27. Building Maintenance costs remain within existing budgets (this will likely require difficult choices). High Chelmer property income increases by £250k in 2023-24. The Government does not 'reset' Business Rate retention and the Council retains £500k ongoing funding. Temporary accommodation costs and usage are maintained at current levels. Car parking does not decline.
 - ii. Downside case £6m shortfall for 2023-24. Pay rises remains at 4% for 2023/24 and then fall to 3% from 2024/25. A 10% increase in utility costs for 2023/24. Vehicle fuel costs don't decline within the forecast period. There is no growth in Business Rate retention. An additional £640k is cut from Government funding in 2023/24. Car Parking worsens further by £200k. High Chelmer rental income is £250k lower than the central case.

Conclusion on Forecasts

- a) The central case forecast is used as a guide in budget planning. The actual shortfalls will probably not be known until Christmas when the Government is likely to finalise funding to Local Government.
- b) Inflation provisions have been included but they will need to be considered carefully before inclusion in the budget for 2023/24.

3.2 Capital (Appendix 3)

- a) The Capital programme is reported elsewhere on the agenda.
- b) The Capital Programme report notes that the timing of expenditure has been impacted by Covid-19. This has meant internal borrowing and financing costs have been

delayed. The section on Risks in this report identifies the potential hazards to the capital programme from funding and costs pressures.

- c) New Homes Bonus (NHB) has in the past been used to fund capital expenditure but can be held in the Chelmsford Development Reserve until spent. It is assumed no new NHB allocations will be paid from 2022/23 onwards. This assumption is based on the Government's desire to reform the scheme which is expected to favour upper-tier and unitary authorities.
- d) In Appendix 2, there are projections of relevant capital financing indicators as identified in the Council Capital Strategy (February 2022 Council). The financing costs as shown in Appendix 1 are included in the revenue forecasts.
- e) The projections are based on the approved programme and allow for an additional £1.2m of new schemes per year. Appendix 2 identifies the capital priorities of the Council. These potential schemes need feasibility and business cases to be developed and will be the subject of future reports over the medium term.
- f) The Capital programme and indeed a significant part of the Council's cash holdings can be expected to be funded from Community Infrastructure Levy (CIL). The capital programme will use CIL funding where appropriate under CIL regulations. The use of CIL as resource will be prioritised to avoid or defer the need to borrow to fund the capital programme. The use of CIL will be reported in the Council's Infrastructure Funding Statement, which is published in December each year.

3.3 Forecast Risks and Upsides (Appendix 3)

Appendix 3 provides detail on the risks, the key items being:

- a) Inflation is at a 40-year high. Some inflation may be temporary in that prices for fuel and utility costs could fall back. There is no certainty regarding these matters. In previous budgets, the Council has mostly cash-limited services' budgets, not providing for cost inflation on most goods and services. Given the much higher levels of inflation, the 2023/24 forecast includes additional provision for cost increases. There is clearly a risk of lower or higher inflation in practice and revisions to forecasts being needed.
- b) Pay increases. This is dependent on inflation but also labour-market conditions. The forecast allows for pay inflation in 2023/24 of 4%. This is after a 2.5% increase for 2023/24 being agreed provisionally. The Council must when making a pay award have regard to the pressures of retaining and recruiting staff and affordability.
- c) Recession. Having hopefully exited the pandemic, the Council now faces a new risk of income loss due to economic conditions.
- d) Government funding. For at least three years, MTFS reports have included this risk as the Government has not progressed its plans for changing the allocation of local government funding. Cuts to councils like Chelmsford seem likely, so funding can be reallocated under the Government's Levelling Up agenda, but they are also difficult for the Government to make, given the pressures and failures experienced by councils nationally. The announcement of a Government consultation on a two-year financial settlement is welcome but lacks the necessary detail to understand the consequences and plan our finances.
- e) The main upside risk to the forecasts relates to the VAT litigation the Council has been involved in (as a lead case). The crux of the case is the VAT treatment of income from leisure services. Treating it as non-business for VAT purposes would enable the Council to retain the 20% VAT that otherwise has to be paid over to HMRC. The litigation is not final but there is potential that the case may be won within the next few months with a gain of circa £500k-£600k per year and a £4m refund. However, given the remaining matters which may prevent or just delay the claim, at this stage it is not appropriate to assume any financial improvement.

3.4 Actions (Appendix 4)

The report identifies a comprehensive list of existing ongoing actions in Appendix 4, but in brief the actions include:

- strategic items or principles;
- a set of initial actions which reduce the 2023/24 forecast budget gap by £1.05m (including use of earmarked reserves) to £3.2m; and
- setting Budget guidelines (see paragraph 3.6).

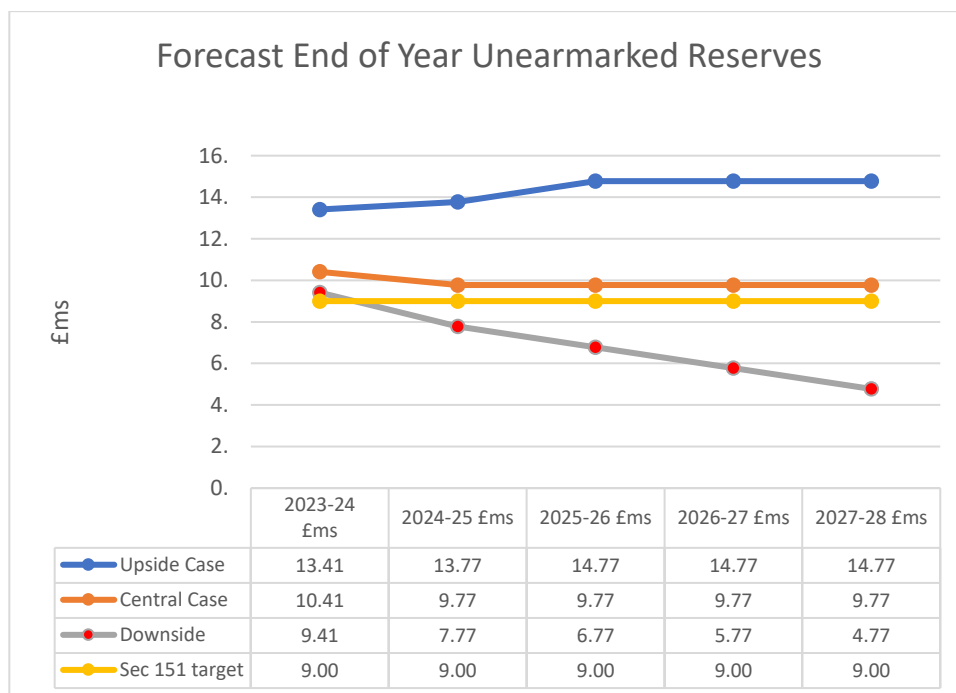
3.5 Reserves (Appendix 5)

- a) The projected level of reserves is identified in Appendix 5 of the report. The provisional financial outturn for 2021/22 resulted in additional unearmarked reserves of circa £3m above those expected. The gain in very broad terms can be said to have come from temporary factors: £1m of additional Covid-19 Sales, Fees and Charges support and £2m extra of business rate retention income (mostly due to the lower cost of appeals against valuations by business rate taxpayers). This was after allowing for an additional £1m revenue contribution for capital, which has been carried forward in the Chelmsford development reserve for future capital funding (timing to be decided, based on when its application will generate the maximum reduction to potential financing costs). An additional £1m of Business Rate retention income is assumed in 2022/23, based on the higher 2021/22 outturn.
- b) The Section 151 officer considers the Unearmarked Reserves (Appendix 1) to be sufficiently robust. The unearmarked reserves include a number of transfers to/from revenue which are shown in Appendix 1. £3.1m of unearmarked reserves is recommended for transfer into a number of specific reserves as identified below:

Reserve Name	Purpose	Amount transferred £ms
New: Car Parking development	The Council has potential plans to redevelop a number of car parks, e.g. Waterloo Lane (Riverside site). During re-development of any car park, income may temporarily decline, and this reserve will manage that financial risk. The development of car parks will be subject to business cases (not yet developed) and the income effects are therefore not yet included in the revenue forecasts.	1.0
New: Business Rate Retention Fluctuation reserve	The Government continues to state that the business rate retention scheme will be reset (in some form). The revenue forecast assumes that the £500k from this income stream that supports the 2022/23 revenue budget ceases. However, the forecast includes an assumption that income will return once any new scheme is bedded in. The temporary loss of income can therefore be funded from this reserve for up to 3 years. It is worth noting that a 'reset' may not happen so that the Council continues to receive at least £500k per annum, in which case the reserve can be reviewed and used for other purposes.	1.5
New: Vehicle Fuel Reserve	Unlike electric and gas prices, oil forward markets and supply constraints make a fall in	0.6

	prices more likely in 2-3 years. It is realistic to use reserves to meet the additional cost for a number of years (the forecast assumes 2 years).	
	Total	£3.1m

- c) The graph below provides a summary of the Unearmarked Reserve position; the projections of unearmarked reserves are shown in detail in Appendix 5 (after transfers and expected use).



- i. The Section 151 officer recommends a continuation of the target of £9m for unearmarked reserves, given the significant financial uncertainties. Appendix 3 (Risks) provides further background to that decision. This target level will be re-assessed as part of the budget.
 - ii. Based on the central projection, the level of reserves is £0.8m higher than the target level. This surplus should be reviewed as part of the budget process reflecting prevailing forecasts and conditions at that time.
 - iii. The downside case differs from the central case as it includes a £1.0m net overspend in 2023/24 and each year after.
 - iv. The upside case differs from the central case as it assumes £3m of business rate retention gains in 2023/24 and £1m for two years after.
- d) The level of reserves should be considered in the context of the risks to the Council's finances (Appendix 3) and actions to make the Council finances sustainable (Appendix 4).

3.6 Budget Guidelines (Appendix 6)

To enable production of a draft budget by Services, the report provides guidance in Appendix 6 on the assumptions to be used.

In 2021/22, it was not possible to carry out all planned activities due to Covid-19. A number of budgets were unspent (totalling £247k) and approval is sought to have them added into

the 2022/23 budget as carry-forwards. These are detailed in Appendix 6, Budget Guidelines.

A proposal to switch to low-carbon fuel is also included in the budget guidelines. The ongoing cost is estimated at £135k per year, which is allowed for in the forecast (via a £300k service enhancement/ growth provision).

4. Conclusions

4.1 Financial uncertainty has increased due to:

- the long-term impact of Covid-19;
- potential economic recession and current inflation; and
- no clear funding arrangement from Government.

4.2 The MTFS and Budget guidelines are a means of meeting the expected challenges.

4.3 Officers will start preparing the 2023/24 budget using the guidelines set out in Appendix 6.

List of appendices:

Appendix 1 : Revenue And Reserves Forecast

Appendix 2 : Capital And Financing Forecast

Appendix 3 : Forecast Risks

Appendix 4 : Actions Medium-Term Financial Strategy

Appendix 5 : Reserves

Appendix 6 : Budget Guidelines 2023/24

Background papers: None

Corporate Implications

Legal/Constitutional: The Council is required to set a balanced budget. The Medium-Term Financial Strategy sets out the framework for this to be achieved.

Financial: A robust financial strategy is essential in the delivery of the Council's objectives over the medium term, ensuring decisions are taken with due regard to their financial consequences. Medium-term financial planning is a key element in determining the organisation's future resilience.

Potential impact on climate change and the environment: This will be considered as part of the detailed budget-setting process.

Contribution toward achieving a net zero carbon position by 2030: As above.

Personnel: The financial strategy, and the development of detailed budget proposals, is supported by the Council's values and behaviour framework, which promotes a culture of responsibility and accountability.

Risk Management: Due regard to the Council's Principal Risk Register should be had when considering its budget plans, financial forecasts and level of reserves. The production of, and

adherence to, the Strategy mitigates the risk of financial failure. Challenges to the Council's financial position are reflected in the Principal Risk Register, while the financial impact of other risks are considered within the Principal Risk Register as appropriate.

Equality and Diversity: Equality Impact Assessments will be considered as part of the detailed budget-setting process rather than at the strategic level, to enable comprehensive assessments to be undertaken, where necessary.

Health and Safety: None

Digital: None

Other: None

Consultees:

Cabinet Members, Chief Executive and Directors, Monitoring Officer

Relevant Policies and Strategies:

Our Chelmsford: Our Plan

Capital and Investment Strategy 2022/23

REVENUE AND RESERVES FORECAST

APPENDIX 1

Central Case -Revenue Forecast (table1)										
	2023-24	2024-25	2025-26	2026-27	2027-28					
Key Changes Year on Year	£000s	£000s	£000s	£000s	£000s	Notes				
Pay Inflation	1,434	741	755	774	794	4% then 2%				
Living Wage	50	50	50	50	50	Living wage increase up 10% pa				
Business Rates Inflation	55	59	57	56	58	Based on 2% may be higher or nil				
Utilities Inflation	47	48	49	50	51	2% increases. Note £600k was funded from reserves				
Income Inflation	-660	-480	-490	-500	-510	4% then 2%.				
Fuel Inflation	311	7	-293	7	7	Assumes temporarily high prices (approx. 3yrs)				
Other Inflation	219	59	64	70	75	Building maint., Insurance, consumerables, postage				
Vehicle Fleet	115	0	0	0	0	Budget insufficient for expenditure				
Homelessness	261	248	336	334	334	Between 50-70 increase in demand pa				
Building Maintenance (non-inflation element)	191	0	0	0	0	Budget insufficient for expenditure				
Software costs	76	43	14	14	15	Microsoft, HR system (in part inflation)				
City Growth	170	177	177	191	170	Growth in City requires growth in services				
Audit Fees	50	0	0	0	0	Assumption new pricing not yet known				
Planning including local plan (reserves offset)	-17	-178	-30	-110	130	LDF reserve change in annual use				
Property Rent etc	28	339	-420	-389	0	Temporary vacant periods & rent increase				
Leisure & Culture Income ongoing	-195	0	0	0	0	Post covid recovery				
Planning Grants, agreements & costs	198	-203	0	0	0	Tempoary Income and temporary costs				
Car Parking Income	500	-250	-250	0	0	Economy reduces town centre footfall				
Theatres re-opening	-527	0	0	0	0	Recovery from temporary closure				
Swf Pool Closure -temporary for works	42	-42	0	0	0	Funded from reserves				
Cultural Trust Grant	35	-35				Funded from reserves				
Elections (local)	252	-252	0	0	252	Funded from reserves				
Feasibility Reserve (green initiatives)	20	20	0	0	0	Funded from reserves				
Growth -provision	300	300	300	300	300	Service enhancement provision				
Other	17	128	32	37	92					
Variation in Service Costs	2,972	779	351	884	1,818					
Charges to SEPP	-8	-4	-4	-4	-4					
Interest Receivable	-261	43	-106	-178	-183	Interest rates & cash balance				
Interest Paid and MRP	412	177	1,060	361	332	Pay as you go & self financing schemes going live				
Business Rate Retention reduced income	500	0	0	-500	0	Reset, Growth and Income return				
Revenue Financing of Capital	-2,155	0	0	0	0	Fund from NHB				
Grants	0	0	0	0	0					
New Homes Bonus (NHB)	2,155	0	0	0	0	Government scraps				
Government Grants (non-service)	235	0	0	0	0	Assumption on funding change				
Sub-total	3,850	995	1,301	563	1,963					
Change in +reduced use or contribution/- greater use or lower contribution- Reserves										
Carry Forward Reserve	50	0	0	0	0	Contributions not used in 2023/24				
Pension Ongoing contribution is not changed	0	0	0	0	0					
Local Plan	15	-25	30	110	-130					
Master Plan Reserve	-65	65								
Insurance Reserve reduced use	50	50	0	0	0	Move to funding claim as ongoing cost				
Project feasibility reserve use	-20	0	20	0	0					
Cultural reserve use - grant	-35	35	0	0	0					
Unearmarked Reserve Use										
Reduced use from 2022/23 budget	1,499	0	0	0	0	Remove use of reserves 22/23 budget				
Laptop Replacement	-31	31	0	0	0	Staffing cost of replacement cycle				
Rental Property Vacancies	-152	-483	370	265	0	Impact of vacancies				
SWF temporary closure pool	-42	42	0	0	0					
Election use of reserves	-252	252	0	0	-252					
Planning Staff (end of temporary contracts)	-138	138	0	0	0	Use of reserves offsetting costs				
Sub-total	4,729	1,100	1,721	938	1,581					
Council Tax base and £5 annual increase	-520	-530	-538	-546	-554					
Tax base after incur and growth	-520	-530	-538	-546	-554					
Budget Shortfall	4,209	570	1,183	392	1,027					
Cumulative Shortfall	4,209	4,779	5,962	6,354	7,381					

Revenue Budget Assumption

- 1 The forecasts are not a budget and do not confer power to spend. There are considerable risks to the forecast from inflation, Covid-19 and economic recession. More information on Risks is identified in Appendix 3.
- 2 The revenue forecast central case will be used to develop the budget process but there are also upside and downside cases to provide context. The discussion below is of the central case, except where stated.
- 3 The above table identifies the inflation assumptions where they are allowed for. The level of ongoing inflation is unclear and is discussed in Appendix 3 as a risk. The forecast assumes a much higher level of cost inflation (£1.5m) than previous years, reflecting the much higher risks.
 - Pay Inflation 4% (£1.4m) then 2% ongoing. The 2022/23 pay award is currently 2.5% but is not finalised.
 - Utility Costs 2% over current pricing. Officers are reviewing contractual arrangements currently.
 - Vehicle fuel £300k.
 - Provision of a number of other items including postage, building maintenance, insurance.
- 4 Given the difficulty during and post pandemic with aligning the budget to a changing pattern of income and expenditure, a number of adjustments to increase the forecast have been included. Some of the cost changes are partially inflationary and an attempt has been made to identify the inflationary elements separate from other changes, but this is at best indicative. The table below shows a summary of the larger adjustments included in the forecast (and the central case table):

Increase in forecast (existing non-inflation pressures)	£000s
Building Maintenance	191
Fleet maintenance	115
Housing Temporary Accommodation	261

- 5 Minimum Revenue Provision (MRP). This is the annual repayment cost charged to revenue for internal or external borrowing. The increases reflect the approved capital programme, plus £1.2m of new schemes each year. The funding of the programme is outlined in Appendix 2, but generally it includes capital receipts expected in the next two years. Should additional receipts be identified, as is quite possible, then the MRP costs will be lower. Additionally, historically unplanned delays in spend (not necessarily scheme delivery) have also meant MRP has been lower than forecast.
- 6 Where business cases for capital schemes have been agreed, the forecast contains the costs and benefits. Where no business case has been agreed but a scheme is expected to be self-financing then MRP costs are not included until both income and expenditure can be included in the forecast.
- 7 Up until 2 years ago, the Council paid for insurance claims by using year-end underspends to top up the insurance reserve which then met any claims costs. The forecast includes continuation of the process to move to an ongoing funding stream by £50k per year, until the ongoing fund reaches £200k pa.
- 8 The Pension deficiency payments that are part of the Council's obligations to the Local Government pension scheme are assumed not to change at the next valuation. As the valuation results won't be known until late into the budget process, it is proposed to manage the risk of increases in costs, which are far from certain, from the Pension Reserve. In the reserves in Appendix 5, an indicative cost of £2.9m is shown for the deficit,

leaving nearly £900k in the reserve. Recent research carried out nationally suggests pension costs may remain at current levels.

- 9 The forecast assumes no New Homes Bonus (NHB) allocations are receivable after 2022/23 and so no contributions to capital from revenue.
- 10 Business Rate Retention. The scheme is overly complex and very volatile, mostly as a result of the unpredictability of business rate appeals. The ongoing budget is only supported by a proportion (£500k pa) of gains made. The assumption in the central case budget is that the scheme is reset in 2023/24 and the Council will receive no funding in that year, which increases the budget shortfall. This is not certain as the scheme could continue without a reset for a few more years. As growth will occur over a number of years, this should generate additional income from Business Rate Retention and has been allowed for in the forecast.
- 11 Government funding assumptions are a loss of £500k per annum from Business Rate Retention income currently supporting the budget and £235k on Government general grants. A total loss of £735k per annum.
- 12 The forecast assumes an annual £5 increase in Council Tax per year, the maximum currently allowed without a local referendum. It also assumes that the tax base (number of Band D properties in the City) increases by 800 annually.
- 13 The forecast provides for a £300k annual budget increase for service enhancements. Additionally, an allowance to fund the expansion of services of £170k has been included (due to the growth in the number of properties in the City).
- 14 Upside and Downside forecasts. Changes to forecast have been made in all periods as follows:
 - Upside Case £2.5m budget shortfall for 2023-24. Utility costs fall in 2026-27. Building Maintenance costs remain within existing budgets (this will likely require difficult choices). High Chelmer property income increases by £250k in 2023-24. The Government does not 'reset' Business Rate retention and the Council retains £500k ongoing funding. Temporary accommodation costs and usage are maintained at current levels. Car parking does not decline.
 - Downside case £6m shortfall for 2023-24. Pay rises are 4% for 2023/24 and 3% from 2024/25. A 10% increase in utility costs for 2023/24. Vehicle fuel costs don't decline within the forecast period. There is no growth in Business Rate retention. An additional £640k is cut from Government funding in 2023/24. Car Parking worsens by a further £200k. High Chelmer rental income is £250k lower than the central case.
- 15 The table on the next page shows an abbreviated reconciliation of the current forecast budget gap (£4.2m) to that reported to February Council (£1.661m)

Comparison to Previous Projections									
		Feb Council Comparison							
		£000s							
Forecast Shortfall		4,209							
Shortfall reported to February Council		1,661							
Increase in Shortfall		2,548							
Made up of the following changes									
Homeless		211	Based on review of outturn figures						
Building maintenance		191	Based on review of outturn figures						
Car Park Income		500	Current Activity lower than expected						
Pay & living wage		767	Pay assumption increased for inflation						
Income inflation		-330	Increase charges by 4% not 2%						
Leisure Income		-195	Higher income						
City Growth		103	To fund the consequences of growth in the City						
Utilities		300	Budget assumed in 2023/24 reduction in Utility prices. No longer case						
Vehicle Fuel		300	Prices are volatile						
Other staffing		73							
Digital licences -Microsoft		31	Contractual cost						
Cyber security		35	Expected cost						
HR/payroll system		24	Contractual cost						
Other digital costs		34							
Maintenance -fleet & parks		145							
Recycling materials (income)		-100							
Higher Chelmer		250	Additional income no longer expected						
Inflation increase		219	Building maintenance, postages washroom, etc						
Pension deficiency assumption		-175	Assumes no change to cost						
Various including reserves		231							
Interest		-261							
MRP		195							

APPENDIX 2**CAPITAL AND FINANCING FORECAST****Capital Prioritisation**

Schemes that are approved in the capital programme reflect the priorities of the Council. However, it takes time for priority capital schemes to reach the point that they are sufficiently worked up and ready for inclusion in the capital programme.

Resources will be directed to developing proposals and the first stage of seeking approval may be bids for funding to establish feasibility and scheme scope. Within the Council's earmarked revenue reserves there is some limited funding for project feasibility works.

The Council has limited capital resources and will apply those resources in a way that reduces the revenue burden of the schemes. This will therefore use the principle of applying any resource legitimately available to fund schemes before using borrowing (internal or external). So, for example CIL resources will be applied to schemes that meet CIL regulatory requirements at the earliest opportunity if this defers or avoids the need to borrow.

Capital Strategy

The Council approved an annual update of its Capital Strategy in February 2022. The strategy provides a high-level overview of how the Council intends to manage its capital expenditure and in turn how this expenditure is financed. The Strategy includes a number of tables for financial forecasts and financial limits. The updated figures are based on the most recent Capital Programme forecast. The tables highlight the key changes being made, with explanations. Please note that, for the sake of brevity and to maintain focus on the key issues, not all the Capital Strategy tables have been included in the update below.

The proposed new schemes for the Army and Navy replacement and associated cycle ways, identified on the Capital Programme report elsewhere on the agenda, are not included in the forecasts (as they are not approved). The schemes are to be funded from CIL contributions so do not impact on the level of borrowing.

Cost of the capital Programme

<u>Previous Forecast</u>	2021/22 Forecast	2022/23 budget	2023/24 forecast	2024/25 forecast
Replacement Programme	£ 4.047m	£ 5.483m	£2.589m	£3.324m
Capital Projects	£26.190m	£52.595m	£13.869m	£15.768m
TOTAL	£30.237m	£58.078m	£16.458m	£19.092m

Latest Forecast	2021/22 actual	2022/23 forecast	2023/24 forecast	2024/25 forecast	2025/26 forecast
Replacement Programme	£ 3.849m	£ 6.007m	£3.213m	£ 3.336m	£3.739m
Capital Projects	£ 9.188m	£54.647m	£21.463m	£6.548m	£6.569m
Provision for Potential New Capital Projects		£0.500m	£1.200	£1.200m	£1.200m
TOTAL	£13.037m	£61.295m	£25.876m	£11.084m	£11.508m
Previous (see above table Previous forecast for detail)	£30.237m	£58.078m	£16.458m	£19.092m	N/A
Change	-£17.200m	£3.217m	£9.418m	-£8.008m	N/A

The above reflects the approved capital programme and known replacement items. An allowance of £1.2m per year for new schemes has been made. In previous years' reports, a higher allowance was made for unapproved schemes and potential overspends. The forecast resourcing of the capital programme has also been amended this year so a much more cautious view of the amount of capital receipts expected has been taken. The intention is to make the forecasts more factual, rather than overly influenced by officer assumptions.

Financing of the Capital Programme

<u>Previous Forecast</u>	2021/22 Forecast	2022/23 budget	2023/24 Forecast	2024/25 Forecast
Capital Receipts	£1.233m	£5.550m	£7.850m	£10.200m
Grants and Contributions	£13.576m	£31.935m	£4.986m	£7.999m
Revenue Contributions	£3.418m	£1.555m	£0.300m	£0.100m
Internal Borrowing	£11.738m	£17.893m	£3.181m	£0.429m
Finance Leases	£0.272m	£1.145m	£0.141m	£0.364m
TOTAL	£30.237m	£58.078m	£16.458m	£19.092m

<u>Latest Forecast</u>	2021/22 actual	2022/23 forecast	2023/24 forecast	2024/25 forecast	2025/26 forecast
Capital Receipts	£1.747m	£ 3.150m	£ 2.475m	£0.200m	£0.200m
Grants and Contributions	£3.832m	£30.357m	£19.278m	£2.084m	£6.500m
Revenue Contributions	£1.988m	£ 3.647m	£ 0.350m	£0.100m	£0.100m
Internal Borrowing	£5.199m	£26.446m	£ 3.632m	£8.336m	£4.708m
Finance Leases	£0.000m	£ 0.000m	£ 0.000m	£0.364m	£0.000m
Operational Leases	£0.271m	£1.368m	£0.141m		
TOTAL	£13.037m	£61.295m	£25.876m	£11.084m	£11.508m

The amount of funding applied every year is a reflection of the capital programme spend. Due to the reprofiling of the capital expenditure, there was a reduction in the amount of borrowing required in 2021/22, leading to higher internal borrowing in later years.

Current Estimate of Capital Financing Requirement

Previous Forecast

	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Total Capital Financing Requirement (CFR)*	£23.456m	£42.104m	£44.066m	£43.286m

Current Forecast Based on Full Borrowing Position Includes Self-Financing Schemes

	31.3.2022 actual	31.3.2023 Budget	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Total Capital Financing Requirement (CFR)	£18.898m	£44.953m	£47.720m	£55.814m	£57.797m

Change

Total Capital Financing Requirement (CFR)*	-£4.558m	£2.890m	£3.654m	£12.528m	N/A
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*CFR – this is the amount of the capital programme that has been funded from borrowings (internal, external or finance leases)

Planned Repayment of Debt

1 Previous Forecast – MRP Charge with Self-Financing Schemes Excluded

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
MRP	£0.227m	£0.287m	£0.441m	£0.700m
Finance Leasing MRP	£0.439m	£0.319m	£0.617m	£0.566m

1a Previous Forecast – MRP Charge on Total Borrowing Including Self-Financing Schemes

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
MRP	£0.227m	£0.374m	£0.743m	£1.007m
Finance Leasing MRP	£0.439m	£0.319m	£0.617m	£0.566m

2 Current Forecast – MRP Charge with Self-Financing Schemes Excluded

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
MRP	£0.227m	£0.282m	£0.623m	£0.804m	£1.807m
Finance Leasing MRP & operational Leases	£0.498m	£0.654m	£0.614m	£0.615m	£0.631m

2a Current Forecast – MRP Charge on Total Borrowing Including Self-Financing Schemes

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
MRP	£0.227m	£0.282m	£0.723m	£1.037m	£1.987m
Finance Leasing MRP & operational Leases	£0.498m	£0.654m	£0.614m	£0.615m	£0.631m

Change from tables 1a and 2a above – MRP Charge on Total Borrowing Inc. Self-Financing Schemes

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
MRP	-£ 0.092m	-£0.1m	£0.02m	£0.03m	N/A
Finance Leasing & operational Leases	£ 0.335m	£0.003m	-£0.003m	-£0.49m	N/A

Asset Sales

<u>Previous Forecast</u>	2021/22 Actual	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales	£1.083m	£5.000m	£7.300m	£10.000m

<u>Current Forecast</u>	2021/22 actual	2022/23 Budget	2023/24 budget	2024/25 budget	2025/26 budget
Asset sales	£1.132m	£2.500m	£2.275m	£0.000m	£0.000m
Change	£0.049m	- £2.500m	-£5.025m	- £10.000m	N/A

A more cautious approach to the timing of receipts has been taken, compared to the last forecast, to move towards a more worst-case funding assumption.

FORECASTING RISKS**APPENDIX 3**Revenue

The revenue and capital forecasts include central, downside and upside cases to provide context of risk. The material risks and some potential upsides are discussed below.

1 Inflation

The levels of UK and international inflation are at 40-year highs. Most renowned economic forecasters view inflationary pressures to be temporary. That is inflation rates are expected to peak this year and then fall. This does not mean that the price of commodities like gas and oil will necessarily fall back to lower levels next year, but that annual price rises will be lower. The forecast and financial planning have to consider the following inflationary issues:

- Fees and Charges – the level of average increase is planned at 4% for 2023/24 and 2% in following years. The level of increase could be higher to match the Council's own costs, but public services do need to be affordable, and the Council must set its prices with regard to price elasticity/demand. The actual level of each fee increase will be determined within the budget process, so there is a financial risk of not achieving the planned level of increases.
- Pay – The Council's employee costs are the largest element of expenditure at around £35m. A 1% employee pay increase adds some £350k to the Council's budget. Given the current levels of inflation at nearly 10% and tightness in the labour market, the pay inflation estimates (4% 2023/24 and 2% later years) could be too low.
- Business rates – the Council pays £2.6m per annum on its own properties. The Government sets an annual increase in Business Rates in line with inflation. This would imply a significant increase. However, the bills were frozen during the pandemic period. The forecast therefore assumes only a 2% increase in Business Rate bills.
- Utility costs – the Council may not have a clear indication of its utility costs for 2023/24 until February 2023. A 2% increase is assumed but the war in Ukraine could result in gas shortages and very significant increases in prices.
- Other costs – traditionally, the Council has been able to set budgets with only some budgets increased for inflationary pressures. Given the high levels of inflation, the forecast includes budget growth for inflation on a wider range of items. The level of inflationary provision is clearly a risk. The budget guidelines provide the Section 151 officer with scope to review the assumptions for inflation during the budget process.

The increase in budgets for inflationary pressures will likely mean making savings or cutting services. If the inflationary increases are reversed in later years, e.g. vehicle fuel oil, then cuts will have been made which could have been avoided by using reserves. Alternatively, if reserves are used but prices do not fall back then Council has just deferred making cuts. The budget forecast is therefore at risk either way.

- 2 The growing number of households in Chelmsford means some budgets have to be increased on an annual basis to meet demand. Officers try to minimise the marginal cost of growth. The consequences of growth now require increases in budget of circa £170k per year. This broadly matches assumptions of additional income from growing the tax base, e.g. 800 extra properties result in £170k of additional income. The costs of growth will be managed in the most effective manner but are a financial risk.
- 3 In 2023/24, the Council's pension liabilities will be reviewed. The Council is obliged to make payments to a deficit on its pension fund. There is a risk that those contributions will

need to increase but falls are also possible. Covid-19 will be a complication in the direction of travel of the pension fund deficit. Recent research carried out nationally suggests pension costs may remain at current levels.

- 4 The world economy could be about to experience a recession leading to higher unemployment. At a local level, this could create a drop in demand for the Council's income-generating services and/or an increase for services such as those provided by Housing.
- 5 Past experience of increases in the numbers of homeless households has shown demand changes rapidly leading to unfunded housing expenditure. The forecast includes an allowance for a greater need of temporary accommodation expenditure. The cost increases are broadly increases of £0.25-£0.35m per annum. This does not allow for any expansion of existing initiatives such as modular units or new solutions. The financial risk can therefore be reduced by continued focus on providing affordable homes locally and managing temporary accommodation costs.
- 6 The Provisional Outturn report to Audit and Risk Committee identified that post-pandemic budgets and actual income and expenditure do not align sufficiently. Therefore, a risk of budget overruns is high.
- 7 The Business Rate Retention Scheme is where the Government shares growth in local business rate income with councils. The scheme is complex and almost impossible to estimate robustly at a local level. This is due to the lack of information and control the Council has over changes in the tax base. The Government announced but has not yet carried out a proposal to reset the baseline against which gains are measured. This could result in a number of years of minimal retention income, until substantive new growth has occurred. The risk can be managed by use of reserves, as is recommended in the actions in this report. However, the reset may not take place or the growth in future may not occur.
- 8 The Council is expected to receive £4.6m (excluding business rate retention and New Homes Bonus) of un-ringfenced grants in 2022/23. The Government has now promised to publish shortly a consultation on a 2-year financial settlement. There is little evidence available to determine what the actual outcome of the review could be. The central forecast assumes a loss of £0.2m of grant. The risks to this forecast are:
 - grant funding could be maintained for 2023/24 at similar levels or at least higher than the forecast assumes if the review is postponed again; and
 - the Government is not likely to provide full details of its funding package for 2023/24 until just before Christmas 2022. This means the Council has to run the budget process with a risk of material change.
- 9 In 2022/23, the Council has budgeted for £4.2m of rental income. The forecast allows for a number of vacant periods for some rental properties, with the loss of rent met from reserves. The vacant periods could be longer than expected.
- 10 The Government has made a commitment to local government to provide any funding needed to meet new burdens created by new legalisation. The level of support can often be seen as being insufficient but, in principle, the Government has removed significant risks that arise from legislative change. An example of where legislative change could have a material impact on Council services is the consultation to increase nationwide consistency of waste/recycling collections. This MTFS will not deal with the implications of that or similar changes unless there is sufficient detail to identify financial costs and benefits.
- 11 The risks identified in this section are heavily weighted to the downside but there are a number of potential upside risks to the forecast including:
 - Rental Income may recover further, specifically at High Chelmer. This could be worth several hundred thousand pounds per year.

- Car-parking income could achieve budgeted levels or higher.
 - The Theatre improvements could increase income above the expected levels. This will not be known until the end of 2023/24.
- 12 The main upside risk to the forecasts relates to the VAT litigation the Council has been involved in (as a lead case). The crux of the case is the VAT treatment of income from leisure services. Treating it as non-business for VAT purposes would enable the Council to retain the 20% VAT that otherwise has to be paid over to HMRC. The litigation is not final but there is potential that the case may be won within the next few months with a gain of circa £500k-£600k per year and a £4m refund. However, given the remaining matters which may prevent or just delay the claim, at this stage it is not appropriate to assume any financial improvement.

Capital Risks

- 13 The impact of the current high levels of inflation on capital projects and replacement equipment seems more pronounced than in the revenue budget. It can be expected that revision of capital budgets due to cost increases will occur. Projects should be assessed at each stage to determine that benefits still outweigh the revised costs.
- 14 The Council has received circa £27m of Community Infrastructure Levy (CIL) and within the capital forecast expects to apply that funding to projects. The timing and potential value of CIL receipts are not in the control of the Council. The forecast only allows for a CIL forecast up to the end of 2026.
- 15 Government has announced the potential replacement of CIL with an infrastructure levy which could also remove Section 106 agreements, which are currently used to require the provision of affordable housing. The proposals do not provide sufficient clarity to determine the consequences of the changes. This could have a significant impact.
- 16 The timing of new capital scheme projects and capital disposals is always difficult to estimate. The forecast is therefore at risk of revision both in cost and funding.
- 17 The Council will be examining options for a number of its City Centre car parks. Sites may be developed in the future so, to manage this risk, the Section 151 officer recommends the establishment of a new reserve of £1m.
- 18 The Council's capital programme is now partially funded via internal borrowing. The programme expenditure has been delayed by the pandemic. Additionally, as a response to Covid-19, revenue funding of the capital programme was diverted to bolster unearmarked reserves. The Council's revenue budget includes a statutory annual charge to fund the repayment of capital financing, Minimum Revenue Provision (MRP). The cost of the MRP has been estimated in the forecast but:
- The programme expenditure could be delayed, so reducing the cost of the MRP.
 - The forecast of capital expenditure and funding has the risks identified above, so the MRP figures are likely to vary as the programme costs and funding are reviewed.
 - The MRP costs will rise over the forecast as greater use of borrowing to fund the capital programme takes place. There is a lag between approval of the scheme and when the MRP becomes chargeable.

Conclusion (risks)

In appendix 4, actions are set out to manage these risks, including any ongoing consequences of the issues discussed which will be managed through the budget guidelines and budget process.

APPENDIX 4

Actions

The fundamental aims of the Council's Medium-Term Financial Strategy are to:

- 1) Maintain a sustainable financial position against a backdrop of continuing financial uncertainty and reduced government funding;
- 2) Support the Council's aims in the delivery of a greener, fairer and more connected Chelmsford through the appropriate allocation of available resources; and to
- 3) Maximise opportunities to increase resources, or use resources more effectively, whilst taking appropriate action to mitigate financial risk.

A reduced number of strategic actions compared to last year is proposed to provide greater focus.

- 1 With rising inflation and restrictive Government funding, the Council needs to undertake strict cost control. This will be practised by officers in their day-to-day financial management and will also involve the Procurement Team managing financial risks in contracts in the optimum way.
- 2 Reserves. Ensure a robust level of reserves is maintained:
 - The level of reserves should be reviewed regularly. The Section 151 officer recommends £9m for Unearmarked Reserves.
 - Fluctuations around the recommended level should be expected, as the purpose of reserves is to manage financial risk including temporary income falls. If those risks are realised, the level of reserves will need to temporarily fall to meet the costs.
 - Specific reserves should be established and used to manage known or planned financial risks and costs.
- 3 Capital programme.
 - The programme should be used to deliver corporate priorities but also financial benefits.
 - The programme should be delivered at the lowest cost to the Council, so external funding should always be sought.
 - Further development of the process of planning the capital programme should take place, strengthening projections to ensure affordability.
- 4 Reviews of Fees and Charges by services should take place annually. The review should reflect corporate priorities and financial sustainability.
- 5 The Council will always have areas where cost pressures are most severe. Those areas should be where management focus on cost control (optimising efficiency). The highest risk area in the current forecast is temporary accommodation costs in Housing, where economic conditions and national policy are impacting on demand for services locally.
- 6 Officers will review budgets before seeking supplementary funding for cost increases or new initiatives.
- 7 The pandemic has meant changes in patterns of customer behaviour. This will take several years to become fully apparent. Services will work with Finance to align budgets more closely with those new patterns of income and expenditure.
- 8 The Council will continue to seek to optimise return on existing assets, divest itself of low-performing assets and set out parameters for investment in property to increase income to the Council.

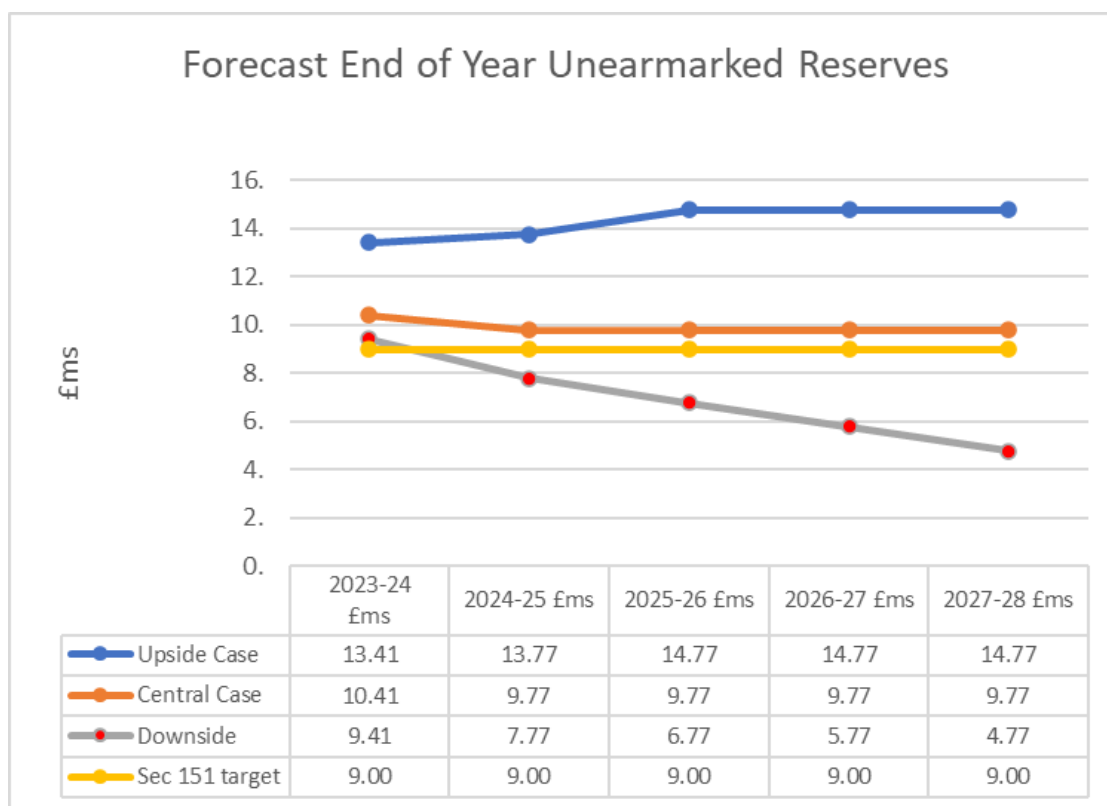
Initial Next Steps

- 9 Budget guidelines have been drafted in Appendix 6 and approval is sought. Services will be required to follow the budget guidelines when preparing budgets and that will include a need to identify savings and new income.
- 10 In appendix 5, the establishment of a number of new reserves is recommended. The impact on the forecast budget gap is shown in the table in paragraph 13 below.
- 11 The following should provide savings (broadly) as identified below:
 - A review of office accommodation to reduce the footprint used and produce cost savings and/or additional income.
 - Review of staffing levels in a number areas is taking place.
 - Consider building into the budget the income generated for work undertaken by Chelmsford Internal Audit and Procurement teams for other Councils.
 - Review Theatre VAT position to seek exempt VAT status (cultural exemption), enabling circa £100k per year of VAT payments to be retained.
- 12 These initial steps would result in a budget gap as shown below:

	2023- 24	2024- 25	2025- 26	2026- 27	2027- 28
Initial Actions to Balance Budget	£000s	£000s	£000s	£000s	£000s
Review Office accommodation use	-15	-35			
Reduced staffing and external income	-135		-35		
Reserves use (two years to cover high diesel prices (£300k pa))	-300		300		
Theatre cultural exemption	-100				
Consider transition of business rates (via holding back in reserve some gains the releasing)	-500			500	
Adjusted Expected Shortfall	3,159	535	1,448	892	1,027
Cumulative	£3,159	£3,694	£5,142	£6,034	£7,061

Appendix 5

Reserve Forecast



- 1 The central forecasts of Unearmarked Reserves are based on the assumptions made in the revenue forecast above. In addition:
 - £1m of additional Business Rate Retention Income is assumed in 2022/23 above the approved budget.
 - Use of reserve to fund temporary costs or shortfalls from fuel oil and business rate retention. As set out in Appendix 4 actions, two new reserves are recommended.
 - A reserve to cover the potential for shortfalls of income from car parks as they are developed is also recommended.
- 2 The upside case assumes a £3m windfall in 2023/24 and £1m in each of the following two years, from the Business Rate Retention scheme.
- 3 The downside case assumes a £1m overspend in each year.
- 4 The earmarked reserves include the contributions necessary to meet the Council's currently known obligations for insurance, local plan and pensions.
- 5 A table showing the projected level of earmarked Council reserves based on the central revenue forecast is shown on the next page.

Usable Reserves Projections																									
		2022/23 Budget				2023/24 (Forecast)				2024/25 (Forecast)				2025/26 (Forecast)				2026/27 (Forecast)				2027/28 (Forecast)			
		Provisional Opening Balance	Budgeted net (use of) contribution to reserves	Transfers	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Transfers	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance				
Earmarked		£000s	£000s		£000s	£000s		Transfers	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s					
1	Cultural Support 'Fund'	132			132	132	-35		97	97		97	97		97	97		97	97		97				
2	Chelmsford development	2,156			2,156	2,156	-2,156		0	0		0	0		0	0		0	0		0				
3	Infrastructure Provision	1,258			1,258	1,258			1,258	1,258		1,258	1,258		1,258	1,258		1,258	1,258		1,258				
4	Growth fund	69			69	69			69	69		69	69		69	69		69	69		69				
5	Insurance	910	-100		810	810	-50		760	760		760	760		760	760		760	760		760				
6	Local Development Framework	819	-207	315	927	927	-257		670	670	-227	443	443	-257	186	186	-117	69	69	-69	0				
7	Pension deficiency	1,833	867		2,700	2,700	-1,820		880	880	867	1,747	1,747	867	2,614	2,614	867	3,481	3,481		3,481				
8	Park and Ride	176			176	176			176	176		176	176		176	176		176	176		176				
9	Hylands House Reserve	3			3	3			3	3		3	3		3	3		3	3		3				
10	Housing Initiatives	150			150	150			150	150		150	150		150	150		150	150		150				
11	DPO Reserve	79			79	79			79	79		79	79		79	79		79	79		79				
12	Project Evaluation Resrve	348			348	348	-20		328	328	-20	308	308		308	308		308	308		308				
	Carry forwards & Supplementary estimate																								
13	Reserve	287	-247	300	340	340			340	340		340	340		340	340		340	340		340				
14	New :Master Plan Income	65			65	65	-65		0	0		0	0		0	0		0	0		0				
15	New: Car Parking development				0	0		1,000	1,000	1,000		1,000	1,000		1,000	1,000		1,000	1,000		1,000				
	New: Business Rate Retention																								
16	Fluctuation reserve				0	0		1,500	1,500	1,500	-500	1,000	1,000	-500	500	500	-500	0	0		0				
17	New: Vehicle Fuel Reserve				0	0		600	600	600	-300	300	300	-300	0	0		0	0		0				
Total Earmarked Reserves		8,285	313	615	9,213	9,213	-4,403	3,100	7,910	7,910	-180	7,730	7,730	-190	7,540	7,540	250	7,790	7,790	-69	7,721				
Unearmarked																									
18	General Fund & Contingency	15,188	-449	-615	14,124	14,124	-615	-3,100	10,409	10,409	-635	9,774	9,774		9,774	9,774		9,774	9,774		9,774				
		15,188	-449	-615	14,124	14,124	-615	-3,100	10,409	10,409	-635	9,774	9,774	0	9,774	9,774	0	9,774	9,774	0	9,774				
Total other reserves		23,473	-136	0	23,337	23,337	-5,018	0	18,319	18,319	-815	17,504	17,504	-190	17,314	17,314	250	17,564	17,564	-69	17,495				
Not Available to Support Spend, until financial year end when the actual position is determined.																									
19	Business Retention reserve	4,635	-1,767		2,868	2,868	-2,868		0	0		0	0		0	0		0	0		0				

Reserves - Purpose and Delegation																			
		Purpose								Delegation									
1	Cultural Support 'Fund'	To contribute to Cultural Services costs								Relevant Director & Cabinet member									
2	Chelmsford development	To support the ongoing development of the Chelmsford City area. New Homes Bonus plus other expected one off income will be added to the reserve								Section 151 & cabinet member for a Fairer Chelmsford									
3	Infrastructure Provision	To manage the risk of Capital costs becoming chargeable to revenue								Section 151 & cabinet member for a Fairer Chelmsford									
4	Growth fund	Funding Held for Strategic Planning issues								Relevant Director & Cabinet member									
5	Insurance	To meet losses and policy excesses where more appropriate to insure internally than externally.								Relevant Director & Cabinet member									
6	Local Development Framework	To meet expenditure on the LDF								Relevant Director & Cabinet member									
7	Pension deficiency	To support the financing of the annual deficiency payments on the pension fund. To fund one off staff costs e.g. flexible retirements, redundancy.								Chief Executive, Director of Corporate Services for one off staff costs.									
8	Park and Ride	Contingency to smooth management contract costs of Park and Ride								Relevant Director & Cabinet member									
9	Hylands House Reserve	To contribute to Hylands House and Estate costs								Relevant Director & Cabinet member									
10	Housing Initiatives	To establish funding to undertake initial stages of projects that may not be capital costs.								Section 151 & Cabinet member									
11	DPO Reserve	The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process								Chief Executive									
12	Project Evaluation Resrve	The capital programme includes scheme which require further feasibility and business work, so this reserve enables production								Section 151 & Cabinet member									
13	Carry forwards & Supplementary estimate Reserve	These are working balances arising from the carry forward policy, set out in financial regulations. Also to fund a normal level of supplementary estimates in 2022/23.								Relevant Director & Cabinet member									
14	New :Master Plan Income	Carry Forward one off income from sites where the developer has paid for additional support from Council planners. The reserve is used to fund any additional costs of the planning								Relevant Director & Cabinet member									
15	New: Car Parking development	Finding set aside to manage the revenue budget risks of any car parking redevelopments undertaken by the Council								Section 151 & Cabinet member									
16	New: Business Rate Retention Fluctuation reserve	To be used to manage the risks of changes (reset) to Business Rate Retention scheme.								Budget Decision. Cabinet									
17	New: Vehicle Fuel Reserve	To used as paert of the budget process to alleviate the tempoary increase in vehcile fuel								Budget Decision. Cabinet									
18	General Fund	These are uncommitted working balances to meet the unforeseen needs of the Council.								Normal Supplementary estimate rules (within constitution)									
19	Business Retention reserve	To meet timing issues arising from Business Rate Retention								To be used by Section 151 as part of the annual closure of the Business Rate account									

Appendix 6

Budget Guidelines 2023/24

1.0 Introduction

- 1.1 The Statutory Section 151 officer (Accountancy Services Manager) is required by law to ensure the estimates are 'robust' and all the budgetary proposals are adequately reviewed.
- 1.2 The Accountancy Services Manager will:
 - Issue a budget timetable and detailed guidance to Directors after the Cabinet meeting.
 - Issue standard forms to enable services to provide key information in a common way. The use of the standard forms is essential to ensure consistency in decision-making.
- 1.3 Given the scale of the potential budget deficit, consideration should be given to measures being put into place during 2022/23 to control current-year spending and to oversee the savings process to ensure an adequate programme of cost reductions and income-generation is identified.

2.0 Guidelines to Prepare Service Budgets

- 2.1 It is proposed that, in the period September to December, Cabinet Members and Directors meet to resolve budget issues culminating in the production of a draft budget for the January Cabinet meeting.
- 2.2 The Council will continue to operate a 'control' budget system, where services are restricted to a set level of net budget expenditure on the basis of current year estimates subject to adjustments for:
 - inflation on employees' costs 4%
 - utility costs 2%
 - non-domestic rates 2%
 - additional inflation provisions for items such as postage and building maintenance will be determined by the Section 151 officer based on prevailing circumstances
 - a 3% vacancy factor, as has been applied in past years to certain staff budgets, should continue
 - funding for increments will be met by services from savings on appointing new staff at the bottom of their grade

The Section 151 officer (Accountancy Services Manager) will calculate the 2023/24 control budgets for each service based on the above assumptions, starting from the original 2022/23 budget.

- 2.3 Savings or increases in utility costs will initially be funded centrally so no service suffers or benefits from significant price changes. The Council will manage the purchase of utility costs centrally to achieve maximum economies of scale.
- 2.4 Services are asked to identify proposals that would meet a £3.2m Council Budget shortfall.

- 2.5 Additional grants made to the Council that are not awarded for ring-fenced purposes should be identified as savings and not used to fund growth within a service.
- 2.6 Increases on fees and charges will be reviewed as part of the budget process, but the planning assumption will be an average 4% increase in price or yield.
- 2.7 The review of the capital programme is part of the budget process and the existing scheme budgets will be refreshed and will form the basis of a report to Cabinet. Capital Budgets for the year will be reduced at Christmas unless there is clear evidence of a commitment to spend on the Council's financial system.
- All new capital bids are a minimum of £10,000.
 - All new capital bids should be to support delivery of the Council's priorities under Our Chelmsford: Our Plan.
 - There will be an annual review of the replacement programme.
 - Proposals to Council for new capital schemes will prioritise those schemes that generate revenue income or cost savings.
 - The revenue cost of the capital funds used to fund new schemes will be calculated and included within the revenue estimates based on cost of loans repaid over the life of the asset.
- 2.8 The Accountancy Services Manager will ensure that the statutory requirement to consult with non-domestic ratepayers is met.
- 2.9 Any amendment to these guidelines will be dealt with by the Accountancy Services Manager in consultation with the Cabinet Member for a Fairer Chelmsford.

3.0 Carry Forward Requests for Cabinet Approval

Description	Reason	£000s
Video Conferencing Equipment	Estimated balance required to complete the work.	15
Revenues & Benefits	One-off payments have been made to staff in 2022/23 for additional work relating to business grants and other Covid-19 work. New burdens funding was received in previous financial years to cover these payments, so there is no additional cost to the Council because of these payments; this is simply to prevent an overspend in 2022/23.	82
Cyber Security	Grant funding of £100k received in 2021/22 but spend will be incurred in 2022/23.	100
Housing	A range of initiatives to support the strategy.	50
Total		247

4.0 Carbon Reduction Initiative – Growth to be Built into Service Budgets

- 4.1 It is priority of the Council to achieve net-zero carbon by 2030 and this will require financial investment.
- 4.2 In 2020/21, the CO2-equivalent emissions generated by the vehicle fleet operating from Freight House was 1,742 tonnes, the second highest source of emissions from the City Council's operations and activities after the use of gas.

4.3 The initial approach for decarbonising the vehicle fleet was to ensure all vehicles meet at least the Euro 6 emission standards by 2024. The Euro 6 standard equates to the current Department for Transport definition of low-emission and low-carbon vehicles. Whilst this standard achieves a significant reduction (99%) in emission pollutants and also improved economy and lower CO₂ emissions, compared to earlier specifications, it doesn't achieve 'ultra-low emissions' which will be required if the Council is to achieve its ambition of a net-zero carbon position for its operations and activities by 2030. To achieve the 2030 target:

- A programme is currently under way for the phased replacement of the smaller vehicle fleet to electrical vehicles (EV), although it is clear that supply issues in the sector exist which might affect timing and availability of suitable vehicles.
- The technology to reduce emissions on the larger vehicles is currently more challenging and the recommended option is to maintain use of combustion vehicles but use an alternative low-emission fuel, Hydrotreated vegetable oil (HVO). HVO is made by reacting vegetable oils or other oil-based waste materials with hydrogen at high temperature under pressure, removing oxygen while creating hydrocarbons. This produces a colourless and odourless liquid of an even quality that has an almost identical chemical composition to fossil diesel but with less pollutants and zero sulphur content. Fuel produced from these sources is often known as 'second-generation biofuel' or 'renewable diesel' and is considered to offer a more sustainable alternative fuel to conventional diesel. HVO is fully interchangeable with conventional diesel.

4.4 The costs of the small EV purchases have been previously approved and included in the capital programme.

4.5 The move to HVO is recommended to take place as soon as possible. To that end, a tender is being undertaken to determine pricing but currently it is expected to be at premium of 15% to diesel. This report recommends an additional revenue spend of £80,000 in 2022/23 to fund this cost. The ongoing annual cost is expected to be £135,000 per year which can be offset against the £300,000 growth provision identified in the 2023/24 revenue forecast.



Chelmsford City Council Cabinet

12 July 2022

UK Shared Prosperity Fund (UKSPF)

Report by:

Leader of the Council

Officer Contact:

Jennifer Gorton – Economic Development Lead

01245 606367, Jennifer.gorton@chelmsford.gov.uk

Purpose

To provide Cabinet with information about the UK Shared Prosperity Fund (UKSPF) and details of the Council's work with partners and stakeholders to develop an Investment Plan for Chelmsford. To seek authority to submit the Investment Plan to Government by the stated deadline.

Options

1. To accept the recommendations as set out within this report
2. To make amendments to the recommendations set out within this report
3. To not accept the recommendations within this report

Preferred option and reasons

Option 1 is the preferred option. Due to the tight timeframes involved, any option other than option 1 may jeopardise the ability to submit Chelmsford's Investment Plan to Government for approval by the 1st August deadline. If the 1st August deadline is missed, Chelmsford will not receive its allocation of UK Shared Prosperity Fund.

Recommendations

1. To note the publication of the prospectus for the UK Shared Prosperity Fund.
 2. To endorse Chelmsford's developing Investment Plan and approve the approach of seeking endorsement of the Investment Plan from the One Chelmsford Board.
 3. To recommend that the report is referred to the 20th July Full Council Meeting as the expenditure exceeds £1m over the three-year period of UKSPF.
 4. That authority is delegated to the Chief Executive, in consultation with the Leader of the Council and the Council's Section 151 Officer to take the necessary actions and decisions required to finalise Chelmsford's Investment Plan and approve it for submission to the Government for approval within the stated timeframes.
-

1. Background

- 1.1. The UK Shared Prosperity Fund (UKSPF) was launched in April 2022 and is the Government's replacement for the European Structural and Investment Programme (ESIF).
- 1.2. The UKSPF aligns with the Government's levelling up agenda and has the overall objectives of building pride in place and increasing life chances across the country.
- 1.3. Chelmsford City Council has been allocated £1,173,283 to deliver the aims of the UKSPF against three key investment priorities:
 - Community and Place
 - Supporting Local Business
 - People and Skills (commencing in 2024/25)

Further details setting out the main objectives for each of the investment priorities can be seen in Appendix 1.

- 1.4. The UKSPF provides funding to cover the period April 2022 until March 2025. Chelmsford City Council's individual fixed funding profile is set out in the table below:

2022/2023	2023/2024	2024/2025	Total
£142,389	£284,777	£746,117	£1,173,283

- 1.5. UKSPF support has only been confirmed until March 2025 and, as such, there should be no expectation that further UKSPF will be made available. Any projects identified for inclusion within Chelmsford's Investment Plan will only be able to access the additional funding for the period of the UKSPF and further funding beyond this period is not guaranteed.

- 1.6. Funding can be spent on a mixture of revenue and capital projects with the minimum capital expenditure breakdown as follows:

Year	Revenue Expenditure	Capital Expenditure
2022/23	90%	10%
2023/24	87%	13%
2024/25	80%	20%

2. Investment Plan

- 2.1. As a lead authority, Chelmsford City Council is responsible for developing a local Investment Plan which needs to be submitted to Government by the 1st August 2022. The Investment Plan must be approved by the Government before the funding is made available.
- 2.2. In 2022/23, funding will be paid once the Investment Plan has been signed off by Government (expected from October 2022). In 2023/24 and 2024/25, funding will be paid at the start of the financial year.
- 2.3. Once the Investment Plan is approved, the City Council will have responsibility for managing the fund, processing payments and day-to-day monitoring.
- 2.4. The Investment Plan is completed using a set template, which addresses the local context, outcomes, interventions and delivery. UKSPF guidance provides 41 interventions and Chelmsford's submission is required to identify the interventions which it wishes to prioritise from the menu of options. The Government recognises that some priorities may change over the three-year period and there will be mechanisms put in place should changes be required to the Investment Plan following sign-off.
- 2.5. Specific projects' details are not expected at the Investment Plan stage and Plans will not be disadvantaged if project level detail is not included. Following sign-off of the Investment Plan, local authorities are then expected to begin to refine ambitions, aligning projects to priorities and providing greater detail around the projects that will be delivered using UKSPF.
- 2.6. Investment Plans do not need to cover each of the three key priority areas but should instead seek to address local challenges and opportunities.
- 2.7. The Department for Levelling Up Housing and Communities (DLUHC) are responsible for leading the assessment process for signing off investment plans. Where a plan cannot be signed off first time, feedback will be given and the DLUHC will work with the lead authority to secure sign-off.

3. Chelmsford's Progress

3.1. An internal working group has been formed consisting of:

- The Economic Development Team
- Parks and Green Spaces Manager
- Chelmsford City Culture Services Manager
- City Centre and Tourism Manager
- Public Protection Manager
- Leisure and Heritage Services Manager
- Procurement and Commissioning Manager
- Public Health Practitioner

3.2. The internal working group, in collaboration with key partners and stakeholders, have identified the key priority areas for Chelmsford (against the interventions set out in the government guidance) which should be the focus of Chelmsford's Investment Plan. Priority areas identified can be seen in appendix 2. Potential projects (with estimated costs) which align with each of the investment priorities are being developed. The projects currently included in Chelmsford's developing Investment Plan can be seen in appendix 3.

3.3. Partners and stakeholders who have been involved in the development of Chelmsford's Investment Plan include the CVS, higher educational establishments, ARISE innovation hub at ARU, Essex County Council, the North Essex Economic Board (NEEB), the Chelmsford Business Board and Celsius – the Chelmsford Skills Partnership group.

3.4. The funding profile for Chelmsford's developing Investment Plan matches Chelmsford's UKSPF allocation. A full financial breakdown of Chelmsford's Investment Plan can be seen in Appendix 2.

4. The Role of the One Chelmsford Board

4.1. Collaboration with different partners is a core component of the UKSPF and the development of the Investment Plan. Local authorities are expected to form formal partnerships to oversee the development of their area's UKSPF Investment Plan or to use current groups for this purpose if already in existence.

4.2. Whist discussions have been and will continue to be ongoing with stakeholders and partners during the development of the UKSPF, it is proposed that the One Chelmsford Board is the most appropriate body for Chelmsford's Investment Plan to be officially endorsed by the required partners, stakeholders and relevant MPs.

4.3. The One Chelmsford Board and MPs have been briefed on UKSPF and members of the One Chelmsford Board are involved in on-going discussions around the priorities and linked projects that should be included within Chelmsford's emerging Investment Plan. The One Chelmsford Board will be presented with Chelmsford's Investment Plan for endorsement at the meeting on the 8th July.

- 4.4. It is proposed that the One Chelmsford Board will continue to oversee and monitor Chelmsford's Investment Plan once approved by government with biannual updates provided to the group.

5. Conclusion

- 5.1 The UKSPF was launched in April 2022 and allocates £1,173,283 to Chelmsford to deliver against the investment priorities set out by Government.
- 5.2 Much progress has been made working with internal and external stakeholders to identify Chelmsford's key priorities and to prepare an Investment Plan for Chelmsford. The developing Investment Plan represents a good range of themes and priorities and the emerging projects will deliver positive outcomes for local residents and businesses.
- 5.3 Work will continue with partners and stakeholders to refine and finalise Chelmsford's Investment Plan ready for submission by the 1st August deadline.
- 5.4 To ensure that Chelmsford's Investment Plan can be submitted by the Government's deadline of 1st August, Cabinet are asked to approve the recommendations as set out within this report.

List of appendices:

Appendix 1 – UKSPF Investment Priorities Objectives and Examples

Appendix 2 – Interventions identified for Chelmsford's Investment Plan & Financial Breakdown

Appendix 3 – Projects for potential inclusion within Chelmsford's Developing Investment Plan

Background papers:

UKSPF Prospectus - [UK Shared Prosperity Fund: prospectus - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/108444/UKSPF_Prospectus.pdf)

UKSPF Allocations - [UKSPF allocations - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/108444/UKSPF_Allocations.pdf)

UKSPF Interventions List for England - [Interventions list for England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/108444/UKSPF_Interventions_List_for_England.pdf)

Corporate Implications

Legal/Constitutional: None

Financial: The Government guidance allows for local authorities to use up to 4% of their total allocation to undertake necessary Fund administration, such as contracting, monitoring and evaluation and ongoing stakeholder engagement. However, the overall value of this is relatively limited (approx. £47,000 in total across the three years). The Government are also making an additional £20,000 available to each lead authority to undertake initial preparatory work for developing local Investment Plans. As Chelmsford already has good engagement between partners and stakeholders across a number of established bodies it is not anticipated that this funding will be required to develop the Investment Plan. Instead, it is suggested that the additional £20,000 is used to support the on-going administration of the fund – which is permitted within the Government guidance. This then leaves 100% of the UKSPF to be spent on projects that benefit Chelmsford.

Potential impact on climate change and the environment: Climate change and environmental impacts will be fully considered as part of all related UKSPF interventions.

Contribution toward achieving a net zero carbon position by 2030: A number of the projects identified within the developing Investment Plan contribute towards achieving a net zero carbon position by 2030.

Personnel: Delivery of the UKSPF and its related interventions will require significant staff resources from the Economic Development Team, as well as other Council departments such as Legal, Procurement, Accountancy, Cultural, Leisure and Heritage, Public Health and Protection and Safer Communities.

Risk Management: This report highlights the need to submit an Investment Plan to Government by 1st August. There will be an ongoing need for robust programme management to ensure that the key interventions contained within the Investment Plan are delivered.

Equality and Diversity: The UKSPF is intended to support the key objectives of the Levelling up White Paper, with the aims of creating stronger communities and increasing life chances across the country. The delivery of the UKSPF will have a positive impact in this area.

Health and Safety: None

Digital: None

Other: None

Consultees:

- Chief Executive
- Director of Sustainable Communities
- Director of Public Places
- Director of Connected Chelmsford
- The Economic Development Team
- Parks and Green Spaces Manager
- Chelmsford City Culture Services Manager
- City Centre and Tourism Manager
- Public Protection Manager
- Leisure and Heritage Services Manager
- Procurement and Commissioning Manager
- Public Health Practitioner
- Plus external consultees as set out within this report

Relevant Policies and Strategies:

Our Chelmsford Our Plan - [Our Chelmsford, Our Plan](#)

Levelling Up the United Kingdom - [Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](#)

Appendix 1 - Investment Priorities Objectives and Examples

<u>Priority</u>	<u>Objectives</u>	<u>Example Interventions</u>
Communities and Place	<ul style="list-style-type: none"> • Strengthening our social fabric and fostering a sense of local pride and belonging. • Building resilient, healthy and safe neighbourhoods. 	<ul style="list-style-type: none"> • Improvements to town centres and high streets • Support for local arts, cultural, heritage and creative activities • Active travel enhancements • Volunteer / and or social action projects • Funding for local sports facilities, tournaments, teams and leagues • Community measures to reduce cost of living
Supporting Local Business	<ul style="list-style-type: none"> • Creating jobs and boosting community cohesion by supporting local businesses. • Promoting networking and collaboration and stimulating innovation and growth. • Targeted support to help businesses grow – e.g. innovation, productivity, energy efficiency, low carbon and exporting. 	<ul style="list-style-type: none"> • Investment in open markets and improvements to town centre retail and service sector infrastructure • Development and promotion of the visitor economy • R&D grants supporting the development of innovative products and services • Business support measures to drive employment growth
People and Skills (from 2024/25)	<ul style="list-style-type: none"> • Boosting core skills and support adults to progress in work. • Supporting disadvantaged people to access the skills they need. • Funding local skills needs and supplementing local adult skills provision. • Reducing levels of economic inactivity and supporting those furthest from the labour market. 	<ul style="list-style-type: none"> • Employment support for economically inactive people • Intervention to increase levels of digital inclusion • Support to help people in employment, who are not supported by mainstream provision to address barriers to accessing education and training courses • Support for local areas to fund local skills needs • Green skills courses

Appendix 2 – Interventions identified for Chelmsford's Investment Plan

Investment Priority	Intervention	2022-23	2023-24	2024-25	Annual Expenditure Totals
Communities & Place	E1: Improvements to town centres & high streets	-	-	-	£0
	E2: Community & neighbourhood infrastructure projects	-	-	-	£0
	E3: Creation of and improvements to local green spaces	-	-	-	£0
	E4: Enhancing existing cultural, historic & heritage institutions offer	-	-	-	£0
	E5: Built & landscaped environment to 'design out crime'	-	-	-	£0
	E6: Local arts, cultural, heritage & creative activities	-	-	-	£0
	E7: Support for active travel enhancements in local area	-	-	-	£0
	E8: Campaigns to encourage visits and exploring of local area	£10,000	£10,000	£10,000	£30,000
	E9: Impactful volunteering and/or social action projects	-	£40,000	£80,000	£120,000
	E10: Local sports facilities, tournaments, teams & leagues	£25,389	£65,000	£65,000	£155,389
	E11: Capacity building & infrastructure support local groups	-	-	-	£0
	E12: Community engagement schemes, local regeneration	-	£25,000	£25,000	£50,000

	E13: Community measures to reduce the cost of living	£20,000	£10,000	£10,000	£40,000
	E14: Relevant feasibility studies	£30,000	-	-	£30,000
	E15: Digital connectivity for local community facilities	-	-	-	£0
	Bespoke Intervention: Address Health Inequalities	£22,000	£39,777	£75,000	£136,777
Local Business	E16: Open markets & town centre retail & service sector		£5,000	£5,000	£10,000
	E17: Development & promotion of visitor economy	£5,000	£10,000	£10,000	£25,000
	E18: Supporting Made Smarter Adoption	-	-	-	£0
	E19: Investment in research & development at the local level	-	-	-	£0
	E20: R&D grants supporting innovative product & service development	-	-	-	£0
	E21: Development of innovation infrastructure at a local level	-	-	£276,117	£276,117
	E22: Enterprise infrastructure & employment / innovation sites	-	-	-	£0
	E23: Strengthening local entrepreneurial ecosystems	-	£60,000	£115,000	£175,000
	E24: Training hubs, business support offers, incubators & accelerators	-	-	-	£0
	E25: Bid for & host international business events & conferences	-	-	-	£0
	E26: Growing the local social economy	-	-	-	£0
	E27: Develop angel investor networks	-	-	-	£0

	E28: Export grants to grow overseas trading etc.	-	-	-	£0
	E29: Supporting decarbonisation & improving natural environment	-	-	-	£0
	E30: Business support measures to drive employment growth	-	£20,000	£25,000	£45,000
	E31: Support relevant feasibility studies	£30,000	-	-	£30,000
	E32: Investment to protect from natural hazards, flooding and coastal erosion	-	-	-	£0
People & Skills	E33: Employment support for economically inactive people	N/A	N/A	-	£0
	E34: Courses including basic, life & career skills	N/A	N/A	-	£0
	E35: Enrichment & volunteering activities	N/A	N/A	-	£0
	E36: Increase levels of digital inclusion, essential digital skills	N/A	N/A	-	£0
	E37: Tailored support for the employed to access courses	N/A	N/A	-	£0
	E38: Local areas to fund local skills needs	N/A	N/A	-	£0
	E39: Green skills courses	N/A	N/A	£25,000	£25,000
	E40: Retraining support for those in high carbon sectors	N/A	N/A	-	£0
	E41: Funding to support local digital skills	N/A	N/A	£25,000	£25,000
Allocation Totals		£142,389	£284,777	£746,117	£1,173,283

Appendix 3- Projects for potential inclusion within Chelmsford's Developing Investment Plan

Priority	Project
Communities and Place	1. To fund Chelmsford for you campaigns (match funded by the BID) – specifically activities which celebrate Chelmsford's identity and narrative.
	2. To enhance the Discretionary Fund Grant element of the Community Funding Scheme in years two and three, which provides revenue grants of up to £10,000 to voluntary and charity organisations.
	3. To fund an Active Health Co-ordinator to fully develop and maximise the Council's Active Health exercise referral programme. Connect with more GP surgeries, clinics, hospitals and other medical professionals to achieve wider health outcomes than are currently available. This will include offering more physical opportunities to really focus on the obesity agenda through weight management programmes as well as offering pre and post operative exercise programmes, such as the cancer rehab pilot currently underway at Riverside. This funding will meet the coordinator costs and a small operating budget to allow patients to have their initial induction free of charge.
	4. To expand Sport for Confidence, a local model that allows with physical or learning disabilities to have access and participate in leisure activities, under supervision. This project has operated successfully since June 2019 at Riverside primarily attracting young adults and this funding will enable the project to target more groups, including sessions for under 18's.
	5. To provide grants aimed at stimulating social prescribing projects using Arts and Culture in partnership with Public Health, CVS, Livewell and ARU
	6. To fund the launch of a Social Supermarket for Chelmsford – offering discounted groceries to those Chelmsford residents who are most in need.
	7. To deliver a holiday hunger project (Melfest) during the summer holidays in the Melbourne area of Chelmsford. This is a collaboration between the Community Sport & Wellbeing and Cultural Development teams. The funding will ensure the project can be properly delivered and it will complement the Activate Holiday Hunger sessions which currently operate in leisure centres with funding provided by Active Essex.
	8. To prepare a feasibility study for East Chelmsford Cycle Connections
	9. To address health inequalities and improve population health in Chelmsford through/or in partnership with the Mid Essex Livewell Alliance and potentially with Maldon and Braintree Local Authorities
Supporting Local Businesses	10. To fund new branded High Street market gazebos to improve the appearance of the High Street Market
	11. To expand the Safe Spaces scheme (Violence Against Women and Girls) for years two and three.
	12. To fund a Chelmsford Retail Against Crime Partnership (similar to Pubwatch). Funding would enable the purchase of software which would be a secure way of crime data sharing. This would be working in partnership with the BID and the Essex Police Business Against Crime Team
	13. To provide funding to support innovation and R&D development in Chelmsford

	14. To fund a business support programme – providing specific support and initiatives for Chelmsford businesses, including business events and promotion of Chelmsford as a business destination.
	15. To fund a programme of partnership working with NEEB and other Essex Authorities providing wider business and skills support
	16. To run Skills Fest - an event for secondary school students helping to promote career opportunities within specific sectors
	17. To commission a feasibility study to explore the business support required by the creative sector in the form of Ignite Chelmsford Creative Industries Enterprise Support Programme. This is in partnership with Best Growth Hub, Barclays, The Hub, Creative Industries Federation, Arts Council England.
People and Skills (24/25)	18. To work in partnership with Essex Authorities (including NEEB and ECC) to develop green skills across the region (linked to project 15)
	19. To work in partnership with Essex Authorities (including NEEB and ECC) to support the enhancement of local digital skills (linked to project 15)



Chelmsford City Council Cabinet

12 July 2022

Proposed Amendments to the Constitution

Report by:

Legal and Democratic Services Manager

Officer Contact:

Brian Mayfield, Democratic Services Manager, brian.mayfield@chelmsford.gov.uk,
01245 606923

Purpose

To consider the recommendations of the Constitution Working Group arising from its annual review of the City Council's Constitution.

Recommendations

That, subject to any views the Cabinet might have, the Council be recommended to approve:

1. the general amendments to the Constitution detailed in Appendix 1 to this report;
2. the revised Financial Rules set out in Appendix 2.

1. Introduction

- 1.1. The Council's Constitution is reviewed annually to ensure that it remains complete, up to date and reflects current practice and legislation. Some Parts of the Constitution, such as the rules relating to meetings and officer delegations, are likely to need detailed review as they are more likely to be affected by changes to organisational practices and legislation. Other Parts

only need periodic detailed examination as they tend not to change significantly over time.

1.2. The annual reviews are initiated by officers and their recommendations are submitted in the first instance to the Constitution Working Group. Its recommendations are then passed to the Governance Committee, the Cabinet (where appropriate) and finally full Council.

1.3. This report sets out the findings of the Constitution Working Group on the following aspects of the Constitution:

- general amendments to meetings rules and Part 3 of the Constitution
- the Financial Rules

1.4. The Governance Committee considered the findings at its meeting on 15 June 2022 and supported them.

2. General Amendments

2.1. A few updates to Part 3 of the Constitution (Responsibility for Functions) and the Executive Rules (Part 4.4) have been identified and are set out in Appendix 1.

2.2. The changes to Rule 4.4.5.6 relating to opposition spokespersons on Cabinet functions were prompted by the separation of the Chelmsford Independents Group into two smaller minority groups. The proposed arrangements for those groups to speak at Cabinet meetings are intended to ensure that all opposition groups have a fair and proportionate opportunity to question the Cabinet and contribute to its meetings whilst ensuring that those meetings are manageable and efficient. It should be noted that the representatives of the Chelmsford Independents Group on the Working Group and on the Governance Committee did not support the proposed change, fearing that it would curtail the ability of the smaller groups to contribute to Cabinet meetings. The Working Group and Committee as a whole, however, felt that it would afford those group adequate opportunity to be represented at and contribute to Cabinet meetings.

2.3. The Working Group also agreed that the current arrangements whereby a member of a smaller minority group is represented on all Working Groups should continue. This does not require a change to the Constitution.

3. Financial Rules

3.1. These form Part 4.9 of the Constitution and have not been reviewed in detail for some time. The revised Rules set out in Appendix 2 primarily reflect the departure of the Director of Financial Services and a new format for their presentation. The nature of the changes has made it difficult to highlight them via track changes; therefore, where content has been added or the nature of the rule has changed, a comment has been placed next to the text.

3.2. The practice notes referred to in the Financial Rules do not form part of the Constitution and are updated by officers on an informal basis. They are guidance to officers to assist them in operational activities. Therefore, the practice notes have not been included for consideration.

4. Conclusion

4.1. The amendments to the Constitution arising from the latest review are limited in nature. Those relating to the general amendments in Appendix 1 and the Financial Rules in Appendix 2 are referred to the Cabinet for its comments before being passed to full Council.

List of Appendices

Appendix 1 – Proposed amendments to Part 3 and Part 4.4

Appendix 2 – Revised Part 4.9, Financial Rules

Background papers:

Nil

Corporate Implications

Legal/Constitutional: These are set out in the report

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies:
None

APPENDIX 1 – GENERAL AMENDMENTS TO THE CONSTITUTION

PROPOSED AMENDMENTS TO PART 3.2.4 – ADVISORY PANELS FOR CABINET FUNCTIONS

Advisory Panel	Amendment
Community Funding Panel	Amend the membership by replacing the Cabinet Member for Sustainable Development with the Cabinet Member for Greener and Safer Chelmsford
Chelmer Waterside Project Panel	Add the Director of Public Places to the membership of the Panel

PROPOSED AMENDMENTS TO PART 3.4 – OFFICER DELEGATIONS

Delegation	Existing/New Delegation	Amendment
Part 3.4.1 - Delegations to all Directors	Add new delegation 3.4.1.3 and renumber subsequent delegations: In consultation with the relevant Cabinet Member or Chair, to make minor changes to existing policies and strategies.	
Delegation 3.4.7.5 to the Director of Sustainable Communities	Existing delegation: Planning policy under the local development framework	Amend to read: Preparation, consultation and monitoring of planning policies and proposals within statutory development plans, supplementary planning documents and planning guidance.
New delegation to the Director of Sustainable Communities	Add new sub-heading: <i>Specific delegations</i> and new delegation 3.4.7.25 Responses to consultations on Nationally Significant Infrastructure proposals as defined by section 14 of the Planning Act 2008 and other proposals of statutory	

	bodies and agencies, and proposed changes to national planning policy and guidance.	
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PROPOSED AMENDMENTS TO PART 4.4 - EXECUTIVE RULES

Rule	Amendment	Reason
Rule 4.4.5.6 (a)	the largest minority political group-- shall, at the Annual Meeting of the Full Council, nominate spokespersons to speak or ask questions on specific Cabinet functions. The spokespersons may nominate deputies to speak in their absence. In addition, the largest opposition group may nominate spokespersons for the areas of responsibility of Cabinet Deputies;	To enable the smaller minority group(s) to contribute to Cabinet meetings and question Cabinet members but to do so on a proportionate basis
Rule 4.4.5.6 (b)	No change: at the discretion of the chair of the meeting, the spokespersons or their nominated deputies may contribute to discussion on items on which they are spokespersons and ask questions under the item entitled Members' Questions; however, they shall not have the right to vote;	
Rule 4.4.5.6 (c)	with the exception of the ability to nominate deputies, the arrangements described in (b) above shall apply to any political groups other than the largest minority group and to councillors who do not constitute or belong to political groups, but they shall each be limited to contributing no more than twice at a meeting by way of asking questions or speaking on an item;	

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APPENDIX 2 – REVISED FINANCIAL RULES

1.	<u>Introduction</u>
1.1	<p>These Financial Rules aim to provide guidance on what is expected from Elected Members, the Section 151 Officer, Directors, Service Managers and all other members of staff (Officers).</p> <p>The Financial Rules form part of our Constitution, which sets out the political and administrative arrangements for the running of the Council.</p>
1.2	Directors/Service Managers are responsible for ensuring all Officers in their service areas are aware of the existence and content of the Council's Financial Rules and other internal regulatory documents, and that they comply with them.
1.3	Directors/Service Managers must ensure that all Officers have appropriate training in their Directorate or service area to meet the obligations of Council rules and policies.
1.4	Members and Officers are expected to conform to these rules. They do not provide a complete list but define the way Members and Officers are expected to operate. They are in place to protect both the Council and its employees. It is important that Members and Officers conform to the spirit of the rules, not only the specific rule.
1.5	To support Officers further, the Financial Rules are supported by Practice Notes, which are not part of the Constitution. If you need further advice, talk to your Line Manager, Director or get in touch with the Accountancy Services Manager (Section 151).
1.6	A Director may delegate any of their powers but still retains overall responsibility for compliance with these Rules, and in accordance with the Officer Scheme of Delegation, which can be found in Part 3.4 of the Constitution.
2.	<u>Responsibilities of All Officers</u>
2.1	Act to the highest standards of integrity, and exercise due care and attention when dealing with all aspects of the Council's finances.
2.2	Where Officers are unclear on any financial matter, they should seek advice from the Accountancy Team.
2.3	Conform to the Financial Rules. Any failure to conform to these Rules may be a disciplinary offence. If anyone is aware that these Financial Rules are not being followed, they should inform their manager or Accountancy Services Manager (Section 151).

2.4	Ensure the safety and security of assets and see that they are used in a legal and properly authorised manner. Assets retained by the Council must provide value for money (See Practice Note 1).
2.5	Inform the Procurement & Risk Services Manager and follow the whistleblowing procedures if there are reasons to suspect fraud or corruption (see Practice Note 2 - Fraud and Corruption).
2.6	Manage risks to the Council as part of day-to-day activities.
2.7	<p>Officers when purchasing (ordering goods and services), should ensure:</p> <ul style="list-style-type: none"> i) They have complied with and understood the Contract Procedure Rules ii) Good practice as set in Practice Note 3 is followed iii) Physical delivery of goods and services has taken place before receipting them on the financial system. iv) An agreement to rent plant & equipment (lease) is not entered into without consulting with Accountancy Services Manager Section 151 officer. v) Agreements to lease property (let out or rent) are not entered into without consulting with the Property Manager. <p>Further content on ordering is included later in these Financial Rules.</p>
2.8	Officers should not exceed the responsibilities and authority given to them by their Service Manager (and Director) and should conform to the Financial Rules and Contract Procedure Rules appropriate to those duties.
3.	<u>Service Managers</u>
	<p><u>The following items (3.1 to 3.10) are the responsibility of Service Managers, reflecting the delegation of financial management to them by the Council. These financial responsibilities are a key part of their role and failure to meet these could result in disciplinary action.</u></p> <p>The responsibilities are explained under the following headings:</p> <ul style="list-style-type: none"> 3.1 Financial Controls & Authorisation 3.2 Ordering of Goods and Services. Including Procurement & Payments of Grants 3.3 Income Collection 3.4 Budget Management (preparation and monitoring of revenue and capital)

	<p>3.5 Fees and Charges</p> <p>3.6 Grant Income</p> <p>3.7 Staffing Financial Matters (in the context of financial management)</p> <p>3.8 Taxation (including VAT)</p> <p>3.9 Risk Management</p> <p>3.10 Internal and External Audit obligations</p> <p><u>Service Managers should ensure Officers within their Service:</u></p> <ul style="list-style-type: none"> • Are aware of Financial Rules: Ensure all Officers (temporary and permanent) in their service are aware of and understand the Financial Rules to which they must conform to carry out their role. This includes complying with "Key Decision" requirements as set out in Article 14 of the Constitution and any Practice Note on the subject. • Are available to attend Audit & Risk Committee meetings when asked to do so.
3.1	<u>Financial Controls & Authorisation</u>
3.1.1	Ensure that processes and controls are in place to make sure that the Council's resources are properly applied. This includes responsibility for the prevention and detection of fraud and other illegal acts.
3.1.2	Ensure there is a clear and appropriate delegation of responsibilities and separation of duties in the service to reduce the risk of error and to prevent fraud, corruption, and collusion.
3.1.3	Ensure that authorisations within the ERP (i.e., Financial and HR systems) reflect the authority delegated to Officers.
3.1.4	Ensure Contract Procedure Rules are followed, and procurement guidance is sought from the Procurement Team.
3.2	<u>Ordering of Goods and Services, including Procurement & Payment of Grants</u>
3.2.1	<p>Ensure there is an approved budget for all planned expenditure before ordering goods and services.</p> <p>If insufficient budget is available to meet service obligations this should be discussed with the Accountancy Team. (See Appendix 1 to these rules - Virements and Supplementary Estimates).</p>
3.2.2	The Financial system has appropriate workflow to control ordering of goods and services, but managers must ensure that operational

Commented [PR1]: ERP =Enterprise Resource Planning (software)

	processes outside of the system are robust. For example, ensuring goods/services have been delivered before payment is made.
3.2.3	Ensure that the Contract Procedure Rules are followed, and Procurement team are notified of spend over £25k.
3.2.4	Foreign currency contracts or transactions must be agreed in advance with the Accountancy Services Manager (Section 151) (see Practice Note 4 - Contracts, External Partners and Third Party Working).
3.2.5	Act within the Practice Note 4 for Partnerships, where the Council is the lead authority for the partnership or holds the role of the partnership's treasurer.
3.2.6	Ensure that there are controls in place to prevent the loss or misuse of land, buildings, plant and equipment used by their Service (see Practice Note 1 – Assets).
3.2.7	Ensure the process for paying grants to the Third Sector (voluntary) organisations and other bodies are compliant with the standards of the Community Funding Scheme.
3.2.8	Ensure that leases for land, property, plant and/or equipment are not entered into without the authorisation of the Accountancy Services Manager (Section 151 officer).
3.2.9	Ensure that rental/lease agreements to occupy or let to tenants are not entered into without consultation with the Council's Property Manager.
3.3	Income Collection
3.3.1	Ensure Officers collect income and debt promptly and in accordance with the Council's debt management procedures, regularly reconciling it to the main financial system and to banking (see Practice Note 5 - Income collection and Debt Management procedures).
3.3.2	Arrange collection of income before or at the point of delivering the service wherever possible. This avoids losses due to non-payment.
3.3.3	Minimise the cost of processing income by limiting the use of cash and cheque payments by customers, wherever possible.
3.4	Budget Management (Preparation and Monitoring of Revenue and Capital)
3.4.1	Prepare revenue and capital estimates using the guidelines approved by Cabinet and provided by the Accountancy Services Manager (Section 151)(see 6 - Preparation of Estimates).

3.4.2	Prepare business cases for significant projects and undertake post project reviews in line with Practice Note 7.
3.4.3	Use financial information from the Council's ERP (Financial and HR Systems) and other supplementary sources to monitor and forecast current and future years' service budgets (income and expenditure).
3.4.4	Submit financial forecasts via the Council's Financial system. These submissions should be made in line with the timetable established by the Section 151 Officer. (See Practice Note 8 - Budgetary Control).
3.4.5	Identify at the earliest opportunity, and provide details to Accountancy Services of the results of, any service planning that will require additional budget provision.
3.5	<u>Fees and Charges, including setting</u>
3.5.1	<p>Existing Charges (<i>the budget guidelines approved annually by Council include a standard average rate of increase for fees and charges</i>)</p> <p>Work with Directors to set the average charges across a Directorate (as measured by price change or increase in yield) at that standard rate. If this is not possible then Council approval should be sought via Accountancy.</p> <p>There are specific delegations for fees and charges for major events in parks and regulatory Licences elsewhere in the constitution.</p>
3.5.2	<p>New Fees and Charges: Chief Executive and Directors, in consultation with the relevant Cabinet Member, can establish any new fees and charges for any service for which they are responsible, provided it is expected to generate no more than £50,000 in a full year; and where the annual income generated by the new charge is estimated to above £50,000 then approval will be required from Councillors as follows:</p> <ul style="list-style-type: none"> • £50K to £250K – Cabinet • Over £250K - Full Council
3.5.3	<p>Amendments to Fees and Charges: Chief Executive and Directors, in consultation with the relevant Cabinet Member, can amend fees and charges for which they responsible, provided that across the Council any (all) amendments generate no more than £50,000 in a full year. Changes to Fees and Charges that would be above £50,000 in a full year, require approval as follows :</p> <ul style="list-style-type: none"> • £50K to £250K – Cabinet • Over £250K - Full Council

Commented [PR2]: This a new note. Aimed at changing process of collecting business cases and follow ups. This process is still being re-developed

Commented [PR3]: The text for this rule has been simplified. Also most of the details where else-where in the constitution (under delegations pg470) but have been moved into financial rules for clarity.

Commented [PR4]: This new to provide more flexibility but also maintains accountability. It follows similar approach as supplementary estimates

3.6	<u>Grant Income</u>
3.6.1	Bids for grant income should be undertaken in consultation with Accountancy Services.
3.6.2	Ensure all expenditure is in line with grant conditions.
3.6.3	Maintain and retain requisite documentation to evidence that the grant has been properly managed in line with grant conditions.
3.7	<u>Staffing (Financial matters)</u>
3.7.1	Provide the HR Services Manager with an establishment list for all Officers in their service, including contracted hours, and inform them of anything that affects the payment of salaries or other payments as soon as possible.
3.7.2	Ensure that the formal agreement of the Human Resources and Accountancy departments has been obtained before implementing a change to the establishment (this includes grades, hours, or number of posts).
3.7.3	Obtain agreement from HR and Procurement prior to engaging consultants or interims due to the potential significant tax implications for the Council.
3.8	<u>VAT and Taxation</u>
3.8.1	<p>Ensure all financial activities are conducted in accordance with taxation requirements and all requisite supporting records are maintained and retained.</p> <p>Seek advice on:</p> <ul style="list-style-type: none"> • VAT from Accountancy Services • Construction Industry Tax from Accountancy Services • Income Tax (employer taxation) from HR Services Manager
3.9	<u>Risk Management</u>
3.9.1	Act in accordance with the Risk Management Strategy and supporting guidance.
3.9.2	Notify the Procurement & Risk Services Manager of all insurance risks and potential claims as soon as known, providing necessary documentation in a timely manner (see Practice Note 9 - Insurance and Risk Management).
3.10	<u>Matters arising from Audits</u>
3.10.1	Co-operate with Internal and External Audit reviews and queries,

	including allowing Internal Audit and External Audit to have full, free and unrestricted access to and explanations of all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
3.10.2	Implement mitigating actions in a timely manner when risks are identified by Internal and External Audit (or other sources), either through audit recommendations, or alternative actions agreed with Internal/External Audit.
4	<u>Responsibilities of the HR Services Manager</u>
4.1	Make payments through the payroll system to all employees or former employees of the Council.
4.2	Provide all Officers with a copy of these Financial Rules as part of their recruitment/induction process and ensure that their receipt is acknowledged and documented.
4.3	Ensure that, in accordance with the Whistleblowing Policy , where allegations of fraud or misconduct relating to financial matters are made, the Whistleblowing Officer or their deputy, the Accountancy Services Manager (Section 151) and the Procurement and Risk Services Manager are informed.
5	<u>Responsibilities of the Procurement and Risk Services Manager</u>
5.1	Oversee the corporate risk management framework, including periodic review of the Risk Management Strategy
5.2	Prepare Risk Management Reports for Management Team and Audit & Risk Committee.
5.3	Arrange the insurance programme, and review annually, to mitigate identified insurable risks.
5.4	Consult with Accountancy Services Manager (Section 151 Officer) on the financial implications of Insurance matters, including annual review of the insurance reserve.
5.5	Manage insurance claims in coordination with insurers.
5.6	Manage the approval of suppliers and oversight of the Social Value Procurement Policy.
5.7	Provide professional procurement support to all services in line with Contract Procurement Rules.
5.8	Update and maintain the Contract Procurement Rules and deliver training to Officers.

5.9	Investigate any suspected cases of fraud and corruption and inform the Cabinet Member with responsibility for Finance, Audit and Risk Committee Chair and keep the Accountancy Services Manager (Section 151) and Audit Services Manager informed of the findings of the investigation and agree the course of any investigation.
5.10	Maintain the Council's Strategy on Anti-Fraud and Corruption.
6.	<u>Responsibilities of the Accountancy Services Manager (Section 151)</u>
6.1	Prepare financial monitoring reports for Management Team, Audit & Risk Committee and Cabinet.
6.2	Prepare guidelines for and bring together the revenue and capital budgets including approval of fees and charges increases, virements, supplementary estimates and carry forwards for consideration by Full Council.
6.3	Provide guidelines for the format, content, and upkeep of all financial records and associated documents and maintain our accounting system.
6.4	Establish and maintain accounting policies and procedures.
6.5	Ensure there is robust digital ordering process,
6.6	Arrange all leases for vehicles, plant, and equipment.
6.7	Appoint and maintain banking and investment services.
6.8	Set the procedures for the collection of all money due to the Council by officers, agents or contractors and approve irrecoverable debts to be written off.
6.9	Recommend and implement treasury management decisions in line with the Council's policy statement and the Capital, Investment and Treasury strategies.
6.10	Manage the External Audit process, prepare the Annual report, Statement of Accounts and associated documents (e.g. Annual Governance Statement), in line with legislative requirements.
6.11	Review and update the Financial Rules.
6.12	Initiate disciplinary action if an employee is in breach of the Financial Rules.
7.	<u>Responsibilities of the Audit Services Manager</u>
7.1	Submit at least annually, to senior management and Audit & Risk

Commented [PR5]: Clarifies investment as well as banking

	Committee a risk based Internal Audit plan for review and approval, which is reviewed, adjusted and communicated as necessary, in response to changes to Chelmsford City Council's operations, risks, programmes, systems and controls
7.2	Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
7.3	Follow up on engagement findings and corrective action, and report periodically to senior management and the Audit & Risk Committee any corrective actions not effectively implemented.
7.4	Deliver an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
7.5	Undertake work which does not contribute explicitly to the overall audit opinion. This might include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
8.	<u>Responsibilities of the Elected Members</u>
8.1	Act in accordance with the requirements of the Constitution and in particular the personal responsibilities placed on them by the Councillor's Code of Conduct in Part 5.1 of the Constitution.

APPENDIX 1

	<p style="text-align: center;"><u>Virements and Supplementary Estimates</u></p> <p>General Principles</p> <p>These principles form the basis of the Virement and Supplementary estimate rules:</p> <ul style="list-style-type: none"> i. Annually the Council will approve service budgets. ii. The purpose of the rules governing changes to approved budgets is to ensure key decisions are scrutinised effectively. iii. Changes to budgets that result from the transfer of functions between Directorates do not need formal approval. iv. Changes to budgets that do not impact on the objectives set by Council should where possible be dealt with under delegation. The financial limits on budget changes support this objective. v. Journals must not be used to reduce expenditure to match budgets on individual codes, nor should orders made against an inappropriate code, as this distorts the true budget position, does not reflect accurately expenditure and lacks appropriate authorisation. vi. When seeking approval for new budgets or changes of use of existing budgets, officers must provide sufficient information to give transparency to members as to the nature of spend but balanced with providing flexibility to amend details to achieve the outcome desired by members.
V1	Virements
V1.1	A virement is an individual movement between lines in the approved budget and is an essential feature of budgetary control, allowing Directors and Cost Centre managers to maintain their budgets with flexibility to react to the changing patterns of spend or unforeseen cost increases or income reductions.
V1.2	<p>Virement limits and by whom the authorisation can be given are reviewed annually and are currently set as shown below and apply to capital and revenue:</p> <ul style="list-style-type: none"> i. <u>Up to and including £25,000</u> by Directors who must inform Financial Services ii. <u>Over £25,000 and up to £200,000</u> by Directors, subject to prior consultation with the Section 151 Officer, the relevant Service Cabinet Member and the Cabinet Member with responsibility for finance iii. <u>Over £200,000 and up to £1,000,000</u> by Cabinet report

Commented [PR6]: This was £5k, increased to £25k to encourage greater flexibility. When faced with additional costs in one area, virement should be considered before requesting additional funding.

	<ul style="list-style-type: none"> iv. <u>In excess of £1,000,000 – by Full Council</u> v. <u>Virements to allocate approved centrally held budgets to Services, can be undertaken by the Section 151 Officer.</u>
SE1	Supplementary Estimate
SE1.1	A supplementary estimate is a permission to increase or reduce the approved budget to fund additional expenditure. Approval for a supplementary estimate must be sought before the expenditure can be incurred.
SE1.2	<p>Supplementary estimate limits and their authorisation levels are set as shown below and apply to capital and revenue:</p> <ul style="list-style-type: none"> i. <u>Up to and including £200,000</u> by Directors, subject to prior consultation with the Section 151 Officer, the relevant Service Cabinet Member and the Cabinet Member with responsibility for finance ii. <u>Over £200,000 and up to £1,000,000</u> by Cabinet report iii. <u>Over £1,000,000</u> by Full Council
	On completion of the authorisation process, the appropriate Shadow Cabinet Member will be provided with details of all Virements and Supplementary estimates over £50,000.

Commented [PR7]: This should be part of key decisions/ executive decisions process. This process will be overhauled to improve transparency.

APPENDIX 2

List of Practice Notes

- Practice Note 1 – Assets
- [Practice Note 2](#) – Fraud and Corruption
- Practice Note 3 – Ordering
- Practice 4 – Contracts, External Partners and Third Party Working
- New Practice Note 5 – replaces Appendix 2 on partnerships/ sponsorship
- Practice Note 6 – Income collection and Debt Management procedures.)
- Practice Note 7 – Preparation of Estimates
- New Practice Note 8 – Projects
- Practice Note 9 – Budgetary Control
- Practice Note 10 – Insurance and Risk Management)

Commented [PR8]: