



Chelmsford City Council Cabinet

24th January 2023

Budget Report 2023/24

Report by:

Cabinet Member for a Fairer Chelmsford

Officer Contact:

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Purpose

The primary purpose is to make recommendations to Council for the 2023/24 Revenue and Capital Budgets, including the level of 2023/24 Council Tax for the City.

Options

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

Preferred option and reasons

Recommend the report to Council for consideration so meeting statutory obligations

Recommendations

- 1 That Cabinet recommends to Council the contents of Appendix 1, the budget report, being:
 - i. The new Capital investments in Council Services shown in **Section 4**
 - ii. The delegations to undertake the new capital schemes identified in **Section 4**, Tables 8 and 8a
 - iii. The Revenue Budgets in **Section 9** and Capital Budgets in **Section 10**
 - iv. An increase in the average Band D level of Council Tax for the City Council to £215.08, the maximum allowed before a referendum, in **Section 8**
 - v. The movement in reserves shown in **Section 6**

- vi. The Budget forecast in **Section 6** and in **Section 7** the s151 officer's review of the budget, which Members are required to note.
 - vii. Special expenses, Parish and Town Councils' precepts as identified in **Section 8**, Table 17 (Parish precepts are not available until Full Council).
 - viii. Delegation to the Chief Executive to agree, after consultation with the Leader of the Council, the pay award for 2023/24 within the normal financial delegations.
- 2 That Cabinet approves:
- i. That the precepts for the two new Parishes, Chelmer Village and Garden Community, will be recommended under officer delegation to Council in February.
 - ii. A delegation to the S151 Officer to update the budget report for Parish precepts, changes to final Government settlement, Business Rate Retention income following completion of NNDR1 statutory return to Government, and new Parish precepts after consultation with the Cabinet Member for a Fairer Chelmsford.
 - iii. A delegation to S151 officer to prepare a legal resolution for submission to Council for consideration after consultation with the Cabinet Member for a Fairer Chelmsford.

1. Background

1.1. Each year, Cabinet is required to make a proposal to Council to agree:

- Chelmsford City Council Tax rates; and
- Revenue and Capital budgets for the next financial year.

This report contains such proposals for a budget for 2023/24. Full details of the budget are in Appendix 1.

2. Executive Summary

2.1. The budget report in Appendix 1 provides the funding for core Council services, which supports the aims of Our Chelmsford, Our Plan. The budget reflects the need to find budget reductions to offset the high inflation being experienced and government funding increases which are less than needed for inflationary pressures, whilst maintaining the services of the authority.

2.2. Government Funding in **Section 2**. The report is based on the Government's provisional funding settlement. It provides additional cash funding, but the increase is around half the rate of inflation. Government has also encouraged local authorities to use reserves to help manage budgetary problems in 2023/24.

2.3. New Capital Service Investment as shown in **Section 4**.

- No new Revenue investment has been included due to the financial pressures the Council faces
- New capital investment of £9.75m, the majority (£6.5m) of which is to support decarbonisation of the Council by 2030 and remove its dependence on fossil fuels. A revised cost of the Capital programme (an increase of £104k) and the replacement items (increased net cost £36k and £2.913m for additional replacement items) in **Section 10** for approval.

- 2.4. Council Tax proposal. The Government rules allow Chelmsford City Council to raise Council tax by up to 3% or £5.00, whichever is greater, without triggering a local referendum. It is proposed to increase the City Council's Council Tax by 2.98% or just under 12 pence per week (£6.22 per year) in 2023/24, which reflects the long-standing practice of increasing Council Tax in line with the assumptions the Government makes when allocating funding to local government. The increase allowed by Government, though more than previous years, is below the current and expected level of inflation. This gap has to be bridged by cuts, efficiencies or additional income.
- 2.5. A review of reserves is set out in **Section 6**, with reference to the S151 officer's recommendations in **section 7**. The main conclusion is historically high rates of inflation globally and in the UK create significant financial risk. Specifically, fuel and energy can rise and fall significantly in price. Increasing the budget permanently for these higher costs would require further savings which could result in the loss of services to the public and may be unnecessary if prices were to fall. Given the risk of cutting services too soon, there is significant use of reserves in the budget to support fuel and energy costs. As a result, the Council's unearmarked reserves are forecast to fall below the S151 officer's target (£9m) during this period of high inflation. This is addressed in the S151 officer's commentary in **Section 7**.
- The report identifies that the financial outlook has become increasingly challenging due to inflation. The report identifies a forecast budget shortfall for 2024/25 of £3.5m and a further £2.7m by 2025/26, however these estimates will change over time as events and income become more certain. Details can be found in **Section 6**.
- 2.6. The report includes special expenses and their effect on the overall Council Tax levels in **Section 8** of Appendix 1. However, the precepts from Parishes, Essex Police, Fire and Crime Commissioner and Essex County Council will not be agreed until after Cabinet.

3. Conclusion

- 3.1. Cabinet is asked to review the Budget Report and agree to the recommendations.
- 3.2. The financial outlook continues to deteriorate as cost pressures mount, efficiencies become more difficult to achieve and income including Government funding and Council tax increases do not match the increased rate of inflation. However, the Council continues to practice robust financial management and historic experience has shown that it has been possible to resolve large forecast budget gaps (although this is becoming more difficult each year).
- 3.3. The 2023/24 budget is balanced and funded. The level of unearmarked reserves are sufficient but below the s151 recommended target, reflecting the exceptional inflation currently being experienced. It is important that reserves are protected and where opportunities arise these should be increased in line with the recommended level.

List of appendices:

Appendix 1 – Budget Report 2023/24

Background papers:

Nil

Corporate Implications

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

Financial: As detailed in the report

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

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

Personnel:

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

Risk Management:

A review of the risks is identified

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

Consultees:

Relevant Policies and Strategies:

Capital, Investment and Treasury Management Strategies
2023/24



Budget report 2023/24

Index

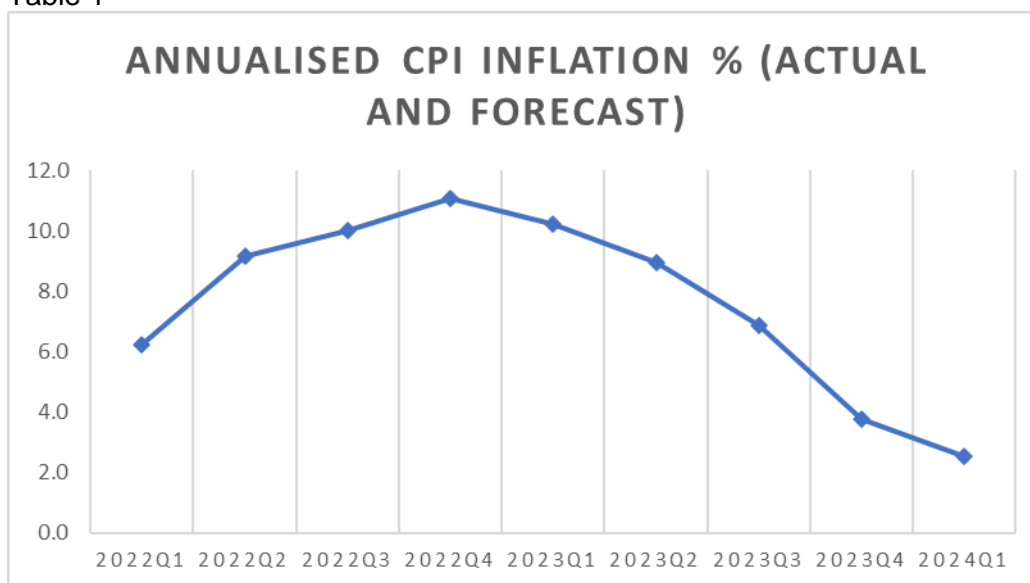
		Page Numbers
Section 1	Introduction	6
Section 2	Government Funding	10
Section 3	Cost Pressures, Income Assumptions & Efficiencies	15
Section 4	Service Investment	19
	Revenue Investment	
	Capital Funded Investment	
Section 5	Impact of Capital Expenditure on the Revenue Budget	28
Section 6	Balanced Revenue Budget 2023/24 Forecast and Strategy -Budget & Reserves	31
Section 7	Risks & Robust Budget by S151 Officer	37
Section 8	Council Tax & Business Rates	45
	Legal Requirements & Tax base	
	Parish Precepts & Special Expenses	
	Chelmsford City Council Tax	
	Business Rates	
Section 9	Revenue Budgets	48
Section 10	Capital Programme Budgets	55

Section 1
Introduction to the Council's 2023/24 Budget

This section of the report contains background to the revenue and capital budgets for 2023/24 (financial year starting 1st April 2023).

The 2023/24 budget proposals reflect the most difficult budget year for local authorities nationally in decades. Unlike during the Covid pandemic, loss of income is only an element of the challenge as inflation is at 40-year highs pushing up Council costs. Government support is increasing but will not match inflationary pressures, which leaves difficult decisions to be made locally.

The rate of inflation is forecast to decline during 2023, but the evaluated levels will impact on nearly all councils' costs including the largest element which is staff pay. The forecast rate of inflation is shown below from the Government financial budget watchdog, the OBR. Table 1



The Council would normally assume 2% increases on fees and charges and some costs (e.g. pay, utilities). This results in services annually meeting inflationary cost increases from existing budgets. This of course means each year services must become more efficient to manage within their existing budgets.

With inflation being so high on average, it is not possible for services to meet cost increases of circa 10% on goods and services from existing budgets. So, the Council has had to increase more budgets than normal in 2023/24.

The table below shows the simplified impact of inflation on the Council's budget. It highlights that increases in fee and charges, Government funding and Council tax fall far short of the costs they need to meet, given these inflationary pressures. The scale of this funding gap is such that the Council faces a shortfall, even after identifying significant efficiencies, that must be met from reserves in the short term.

Table 2

Inflation and the Council's Revenue Budget	
	Increased Inflation cost Allowed for £ms
Pay	3.0 This includes £1.5m of unbudgeted 2022/23 pay
Electricity/Gas	1.5
Other Expenditure	0.7 This reflects the increases for inflation made in service budgets to a limited number of areas. Actual inflation is probably higher as it applies to wider range of goods and services brought by the Council.
Sub Total	5.2
Fees and Charges	-0.6 at 4% allowed for in financial planning
Subtotal	4.6
Government Support	-0.4 Additional cash provided
Council Tax Increase	-0.4 3% increase allowed
Net Cost of Inflation	3.8
Fees and charges above 4%	-0.6 Additional income identified in December Council report to help meet shortfall

The Council also needs to reduce its budget for car parking, one its largest income streams (£6.1m). This has been drastically impacted by businesses now encouraging their staff to work from home and changes in shopping patterns. Additionally, rental income from properties, such as High Chelmer shopping centre and Aquila House (office accommodation), is less certain. These changes can be linked to Covid but economic activity in the UK is expected to weaken due to global economic conditions, which could result in lower than forecast income.

The level of reserves is the key assurance that the budget risks are manageable. It should be noted that the report identifies reserve levels that depend upon a forecast of 2022/23 income and expenditure which may be different when a financial outturn is determined after the 31st March 2023.

The current projection for 2022/23 is an additional £0.31m use of unearmarked reserves (a deficit), this being based on the latest monitoring and represents an improvement over the figures reported to November Cabinet. The main variations in the forecast of the 2022/23 financial position are:

- £1.5m overspent due to £1,925 flat pay award required to meet the National Living Wage
- £1.3m reduced income from car parks due to changing customer trends
- Offset by £2m of additional business rates and £0.7m extra interest income- plus other small variances

The 2022/23 Business Rate retention income will become more certain in late January 2023 when statutory returns to Government are made, but it will only be finalised on the 31st March 2023. The level of income the Council will actually receive is dependent on two key items: the level of provision for appeals against business rate valuations, and additional income deriving from the Essex Pool (other Essex Councils). Both these key items are determined outside of the Council. The timing of when a gain is available to the Council is determined by statutory rules which at best can be described as unusual, so

often a large gain in income can result in costs being charged to the year of the gain, but in the next accounting year that gain and refund of cost are accounted for. There is a risk the 2022/23 forecast gain slips into 2023/24.

The 2022/23 outturn projection will be revised for February Council when 2023/24 statutory calculations of business rate income are updated. As stated, this will impact on the reserves.

The table below shows a summary of how the revenue budget changes between the current year 2022/23 and next year 2023/24. It also identifies where in the report further information can be found on each item.

Table 3

£000s Summary Movements in Budget Between 2022/23 and 2023/24	
-390	Government Funding (Section 2)
5,576	Cost Pressures (see Section 3)
1,288	Reduced car Parking Income - (see Section 3)
-317	Pension Costs, including movement in reserves (see Section 3)
-1,531	Savings & Efficiencies (Section 3)
-442	Net Investment and capital financing (Section 5)
-2,155	Capital Financing contributions (Section 5)
-570	Council Tax Income (Section 8) (increase in tax and taxbase)
193	Council Tax Deficit (Section 8)
-1,652	Additional use of Reserves (Section 6), before pension and business rate retention movement
0	Budget Shortfall

The Government has announced a one-year settlement for 2023/24 together with some certainties for 2024/25. **Section 2** identifies the various funding streams and issues.

At the time of publication, the Government had just announced a new energy support package. There was insufficient time to determine if the Council would receive any funding. The budget maintains the assumption of no government support in 2023/24.

Even with the financial constraints, there is a need to adapt and improve service provision to deliver Our Chelmsford, Our Plan. **Section 4** identifies the new investments in services that are funded by capital resources in the 2023/24 budget proposals.

The most significant item is increasing the planned capital programme by £6.5m for a Green Initiatives fund to achieve the Council's goal of net zero by 2030. This will require increasing capital financing costs charged to revenue. This is identified in **Section 4**.

Sections 5 to 7 identify the medium- to long-term financial planning issues that the Council needs to consider, including reserves.

The Local Government Act 2003 includes a specific personal duty on the Chief Financial Officer (CFO) (also known as S151 officer) to make a report to the authority when it is considering its budget and Council Tax for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act, 'reserves' include 'general balances.')

The Act requires the Council to have regard to the report in making its decisions. The report is contained in **Section 7**.

Section 8 identifies the detail of the Council Tax proposals and the associated legal matters, including meeting the legal requirement to declare a Business Rate Surplus or Deficit.

The budget includes proposals to increase an average band D Council Tax by £6.22 per year, after allowing for rounding of Council Tax bills into ninths.

Sections 9 & 10 contain the budgets for revenue services and the capital programme.

Section 2 Government Funding (provisional)

The Council has been provided with a provisional Government funding settlement for 2023/24. A national consultation with local authorities is now taking place but will not be finalised until February 2023.

The Government has, for around 5 years, been advising it will amend funding allocations to all councils by changing the national formulas. In 2023/24, those changes have been deferred again possibly for 3-4 years.

The 2023/24 settlement is similar to 2022/23 in that it places significant importance around the Government's measure of local authority funding, 'Core Spending Power' (CSP). The definition of CSP is best shown via a table setting out the components. Effectively it takes the sum of the main funding streams and adds in assumed Council tax income. The result is intended to reflect the overall resources available to fund the Council. Increases in CSP should, according to the Government, capture a more rounded picture of the financial position of an authority.

Table 4

	Core Spending 2022-23	Core Spending 2023-24	Change in funding from Government (excludes Council Tax)
	£ millions	£ millions	
Settlement Funding Assessment	3.41	3.71	0.30
Compensation for under-indexing the business rates	0.35	0.60	0.25
Council Tax Requirement excluding parish precepts	14.65	15.35	N/a
New Homes Bonus	2.16	0.94	-1.22
Lower Tier Services Grant	0.64	0.00	-0.64
Services Grant	0.23	0.13	-0.10
Grants rolled in	0.17	0.00	-0.17
Funding Guarantee	0.00	1.97	1.97
Core Spending Power	21.61	22.70	0.39
Increase in Core spending Power		5.0%	
Cash funding from Government	6.96	7.35	5.6%

It is not necessary to explain what each grant is for, as the processes to arrive at the individual allocations are effectively over-ridden by the Government when it takes the decision to increase overall CSP. The Government has guaranteed an increase in CSP of a minimum of 3% before decisions on increasing Council tax. This translates into 5% after allowing for the 3% Council Tax increase and growth in the number of properties in the City. In nearly all cases, district authorities will have experienced the minimum increase.

The City Council, as a result of the CSP minimum increase guarantee, has seen a cash gain of £0.390m in 2023/24; a 5.6% increase. This gain needs to be seen in the context that the CSP calculation does not reflect:

- The real need nor cost changes at local authorities; it merely reflects the funding allocations arrived at over a decade ago which have been rolled forward.
- It assumes growth in the number of Council Tax properties as additional funding however the Council will need this additional income to cover the costs of providing services to those additional properties.
- That a large proportion of the CSP is from Council Tax, so generally prior to 2023/24 increases came disproportionately from local residents. A zero increase in CSP, which the Council had in 2022/23, represents a reduction in Government cash support, as Council Tax receipts increase year on year and the Government claws back that growth through lower funding.
- Inflation is running at circa 10%, so this is a real-terms reduction.

The Government has for many years expressed a desire to curtail New Home Bonus. So, most district councils including the City have not used it to support ongoing service expenditure even though it is included in the Government CSP calculation. The Government's increased commitment to CSP changes that assumption. Any reductions in New Homes Bonus have effectively been replaced by new grants: Lower Tier or Service grant and for 2023/24 Funding Guarantee grant (worth £1.97m). It is it recommend that the budget for 2023/24 allows for all CSP cash grants (including New Homes Bonus) to be used to support ongoing expenditure.

Table 5 below shows a comparison of government CSP grants being used in 2022/23 & 2023/24 to support ongoing revenue expenditure. Though Government funding has only increased by £0.39m in cash Terms (table 5), the ongoing revenue budget will now benefit by £2.55m as a result of what was effectively New Homes Bonus being used to support ongoing expenditure. Below the table there is a short explanation of each grant.

Table 5

	Core Spending 2022-23 £ millions	Core Spending 2023-24 £ millions	2022/23 Supporting ongoing revenue budget	2023/24 Settlement cash (funding) supporting ongoing budget	Additional added to fund ongoing budget £ millions
Settlement Funding Assessment	3.41	3.71	3.41	3.71	0.30
Compensation for under-indexing the business rates	0.35	0.60	0.35	0.60	0.25
Council Tax Requirement excluding parish precepts	14.65	15.35			0.00
New Homes Bonus	2.16	0.94		0.94	0.94
Lower Tier Services Grant	0.64	0.00	0.64		-0.64
Services Grant	0.23	0.13	0.23	0.13	-0.10
Grants rolled in	0.17	0.00	0.17		-0.17
Funding Guarantee	0.00	1.97		1.97	1.97
Core Spending Power	21.61	22.70	4.81	7.35	2.55
Increase in Core spending Power		5.0%			
Cash funding from Government	6.96	7.35	0.3900		

*Please note totals on table reflect rounding

- Settlement Funding Assessment (£3.71m) – The amount is determined by a needs assessment which includes estimates of local resources such as council tax, population, and other local data. It includes a Revenue Support grant (RSG) which was a key funding stream prior to 2010. The Council lost all its RSG in 2018/19. However, the Government has been moving other grants (grants rolled in) into RSG. For 2023/24, the City Council's RSG is £0.2m.
- Compensation for under-indexing the business rate multiplier (Section 31 Grants) (£0.6m) – The complexity of the Business Rates Retention Scheme has led to

grants being paid to local authorities for initiatives by Government such as freezing business rates rather than increasing them in line with inflation. These grants vary in value each year but have increased significantly in 2023/24 as business rates were frozen when they were planned to increase by 6-10%.

- C. Council Tax Requirement excluding parish precepts. This is not a government grant, but the amount of Council Tax the Government assumes the City will generate, allowing for a 3% increase in Council tax and their estimate of the 2023/24 Council Tax base. It should be noted that this is higher than the income the Council will budget to generate in 2023/24. It is likely that adjustments will be made by Government to align these figures in 2024/25, which could result in additional grant funding.
- D. New Homes Bonus (£0.94m). This is a grant paid by central government to local authorities. It aims to reward councils for each additional home added to the council tax base, including newly built properties and conversions as well as long-term empty properties brought back into use, after allowing for certain deductions such as demolitions. An additional sum is paid for each new affordable home built. The scheme, as previously reported, has over its life been made less generous. New payments are now only receivable for one year rather than the previous four years.
- E. Lower Tier Services Grant £0m. The Government allocated a “one-off” Lower Tier Services Grant in 2021/22 which it continued into 2022/23. The grant will now cease.
- F. 2022/23 Services Grant £0.13m. This was provided to ensure that no local authorities have a reduction in CSP in 2022/23, just like the Lower Tier Grant. The funding has been reduced nationally by £200m reflecting the Government reversing the National Insurance increase (which previously it had funded by providing £200m of extra grant)
- G. Grants rolled in. The Government is rolling into its CSP spending power grants previously awarded outside the process. This is a technical change that removes or reduces negative RSG. These grants are shown in the 2022/23 column but merged into the Spending Assessment in the 2023/24 column of figures. The grants rolled in are Family Annex Council Tax discount grant, Local Council tax Support Administration Subsidy (LCTS) grant and funding for food safety and standards of enforcement. Grants have been removed from service budgets to offset the change.
- H. Funding Guarantee (£1.97m). For 2023-24, the £136 million Funding Guarantee grant ensures all local authorities receive a minimum 3% CSP increase from 2022-23, excluding any funding from:
 - Increases to 2022-23 council tax levels;
 - Grants rolled into Revenue Support Grant or Social Care Grant in 2023-24.

If the final 2023/24 settlement differs from that contained in this report, then the S151 Officer will provide revised information to Cabinet at the meeting. If changes to the settlement occur after the Cabinet meeting, then it is proposed that the S151 Officer, after consultation with the Cabinet Member for a Fairer Chelmsford, should be given delegated authority to amend the use of reserves in the report and identify the impact to Council.

Retained Business Rate Growth (Above Baseline Funding)

Under this scheme, the Government allows local authorities to share some of the growth in Business rate income in their area. Gains and losses can occur in year but not impact on the council’s finances for up to 2 years. The actual estimate for business rate income for the following year can only take place in late January each year due to the scheme rules. The January report on the budget must be based on assumptions for business rate retention and these are then revised for February Council. The Government has

committed to the scheme staying broadly unchanged until at least 2025/26 (previously it had been suggested the scheme would be reset imminently).

The estimation of the gains or losses has proven difficult due to the scheme rules and also the uncertainty caused by Covid and now property revaluations for 2023/24. The 2022/23 budget contained a cautious £0.5m of service expenditure funded from the scheme, however monitoring suggests the Council may benefit from an additional £2.0m of income. Unfortunately, most of this income gain relates to one-off factors mostly relating to appeals provisions. The Government has undertaken a national revaluation exercise of businesses which creates uncertainty over how the scheme will work even though the Government has stated it should have a neutral impact on overall income. The 2023/24 budget is therefore based on a continuation of £0.5m of on-going service expenditure funded from business rate retention. The reserve forecast assumes the £2m gain from business rate retention in 2022/23. Any timing changes, additional income (more likely) or reduction (less likely) identified by the time of February Council will be managed via reserves.

Government policy on councils using reserves

As part of the settlement, the government has also made clear that it envisages councils using reserves to fund services in the face of cost inflation. The City Council already recognised in its budget planning that, due to the extent of cost increases, it is appropriate and necessary to use reserves in the 2023/24 budget, but only as a temporary measure.

Homelessness Prevention Grant

The funding provided is £900k, which is a £10k increase.

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

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

Though the grant has increased slightly in cash terms, inflation and demands on the service mean it amounts to a real-terms reduction in funding from Government. The service will continue to seek greater efficiency, working with partners including Homes England, and preventing homelessness and as far as possible by maintaining discipline over the cost of temporary accommodation. The budget includes a £100k expected efficiency saving in the management of temporary accommodation. Even after taking initiatives, costs are likely to rise faster than the grant due to a limited supply of permanent affordable housing and temporary accommodation. The Council has increased staffing in the service to respond to demand; financial forecasts elsewhere in the report assume year-on-year cost increases. Additionally, the Council bids for funding wherever possible and that with greater partnership working with Homes England should provide additional resources in 2023/24 beyond those shown in the budget.

Future Funding

The Government has provided some certainties for 2024/25:

- Business rates and fair funding: there will be no reset of business rates growth for the remainder of the Spending Review period and the Fair Funding Review will be paused for the same period. However, the government has indicated that it will re-examine the issues after the next General Election, so, potentially from 2025-26.
- Council tax: the principle of 3% or £5 will continue into 2024-25.

- New Homes Bonus: the government has made a commitment to set out the future position of NHB before the 2024-25 local government finance settlement. Though, as stated if CSP continues, this may not be relevant.
- There is no commitment to extend the 3% CSP funding guarantee for a further year.
- Extended Producer Responsibility for packaging scheme (EPR): the statement alludes to the introduction of EPR in 2024-25 as a “significant new funding stream”. This is intended to help meet the costs of national requirements for local authority recycling. The government now appears to envisage this as a major new source of income which may mean it can reduce other sources of funding, especially for district councils. It has stated it will be “assessing the impact of additional EPR income on the relative needs and resources of individual local authorities”. There has been very little information from DEFRA about the level and distribution of EPR income for councils. The City’s own estimate suggests circa £1m year extra. The government has not previously said that the purpose of EPR is to provide a general subsidy to councils for general expenditure. It was intended to provide additional resource to fairly fund the costs met by local authorities.
- Forecasts of further funding levels are clearly difficult without a longer-term settlement. However, in **Section 6**, a forecast is included.
- The Homeless Prevention grant may be reduced in later years as a new funding allocation has been introduced.

Section 3 Inflation, Other Cost Pressures and Efficiencies

Cost Pressures

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

Table 6 Cost Pressures 2023/24 (variations from 2022/23 budget)

£000s	<u>Cost Pressures</u>
1,500	Pay and Member inflation 2023/24
1,500	Pay Inflation 2022/23 Increase
1,535	Utilities inflation (forecast at December 2022)
695	Other Inflation
596	City Growth -funding requirement
302	Elections one off
217	Building maintenance costs
157	HVO fuel
116	Reductions in Fees and charges budgets mostly Building control
104	Council Tax sharing agreement with ECC
104	External Audit fees
141	Other
6,967	sub-total
	<u>Compensating Factors</u>
-595	4% inflation on charges
-467	Theatre Re-opening
-99	Hylands House higher income
-230	National Insurance
5,576	

Background Notes to Cost Pressures Table 6 above

The Council experiences cost inflation on its expenditure. The budget only allows for increases on Pay, Business Rates and Energy in normal years. In real terms, this means that service budgets decrease. The extent of the real-terms reduction is difficult to quantify as each service purchases different supplies and services, so experiences different inflation. However, the UK economy has been experiencing high levels of inflation, CPI inflation being 10.7% in November 2022 and with high rates expected to continue until late 2023. In 2022/23 it was necessary to add in additional funding of £240k in a central contingency. The 2023/24 budget proposals include additional funding for specific items such as software licences in service budgets.

- 1) **Pay (inflation):** The Council's largest cost is staff, some £39m per year, so annual increases in pay are normally the Council's largest inflationary pressure. In the period 2010/11 to 2021/22 ongoing pay increases have averaged 1.24% per annum whilst inflation (CPI) has averaged 2.09% (RPI 2.99%). So, pay increased by 15.9% over that period compared to 23.5% for CPI inflation. The 2022/23 pay award provided staff with increases of between 2.5% and 10%, with the lower paid getting the larger increases. This came at an additional unbudgeted cost of £1.5m

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

The July MTFs budget report included a 2.5% pay award for 2022/23 and 3% for 2023/24. Following publication of the MTFs, the Council's budget assumption for pay was reviewed by officers. This was due to:

- high inflation

- a large increase in the National Local Government pay award which although the Council does not have to follow but it should have regard too, in-order to remain competitive. For 2022/23 the national pay award was agreed at £1,925 flat and this was also awarded at the City Council. (6.8% cost increase).

- increases in the national living wage which are expected to be above inflation

In the current inflationary environment a 5% increase in pay costs for 2023/24 may be necessary in order for the Council to remain competitive in the market and to retain and recruit staff. However, at this stage any potential pay demands are not yet known and as affordability remains a problem an average pay rise of 4% has been built into the budget assumption for 2023/24 and will be the basis of any pay negotiations. It will be important for the Council to consider pay rises in other sectors when negotiating the increase for 2023/24 and a balance will have to be struck between affordability together with the Council's ability to retain and attract staff to run our services.

The Council is required to consult with Unison before implementing changes to staff pay and conditions. Additionally, national pay bargaining on behalf of local government workers may influence the outcome of local negotiations. It is therefore proposed that the usual delegation be made to the Chief Executive to agree, after consultation with the Leader of the Council, the pay award for 2023/24.

- 2) **Gas and Electric:** There is a world-wide an energy market crisis. The Council, mostly due to its provision of leisure centres, is a large user of gas and electricity. The Council is in a procurement contract which bulk buys on behalf of councils nationally. The existing contract locks into gas and electric supply in stages, with a final price agreed in April for the whole year starting then. The Council is, however, moving into a longer-term procurement contract with the same provider, which will spread purchases over a 36-month period, with the intention of providing more certainty and better value in the current market conditions. When setting the gas and electric budgets for the following year, officers have to make a judgement about the potential increase. This estimated increase is based on market data from the Council's energy provider. The market data has been very volatile, changes of £0.5m per week are not unknown. Data from August to October suggested an increase in cost of circa £2-£2.5m.

More recent data from the Council's energy provider suggests £1.5m increase should now be the central case. The supplier has not yet fixed prices for (i.e. bought) significant supplies of energy for 2023/24 on the belief prices after Christmas would be lower, which has been vindicated to some extent by market prices for current deliveries falling back to pre-Ukraine war levels in the last week of December.

Given all the significant financial pressures the Council faces, it is recommended that reserves are used to meet the additional £1.5m costs in 2023/24. The forecasts in this report assume that in 2024/25 energy prices remain constant and only half of this £1.5m cost is met from reserves. In 2025/26, there is no planned use of reserves. The use of reserves is a temporary measure given reserves are a finite resource.

- 3) **Other Inflationary costs:** The budget contains provision for £695k of inflation cost increases. The main items being (£304k) for increased fuel, vehicle fleet supplies (£105k), insurance (£135k), and software (£63k).
- 4) **City Growth £596k** Inevitably as the number of households increases in Chelmsford, services will need to reconsider service provision. Efficiency in

service provision can alleviate the need for increasing service budgets to manage the increase in volumes but some budget increases are necessary. The areas most affected are Waste and Recycling, Street Cleaning, Parks (grounds maintenance) and Housing Services. The budget contains £285k extra funding for Housing Services to manage the increased demand for temporary accommodation and preventive homelessness action, plus £148k for staff to improve housing allocation processes (reflecting benchmarking showing the Council needs additional resource in this activity). The balance of the funding is the estimated cost for the operational services.

5) **Other cost pressures of note:**

- Elections £302k. City Council elections will take place on the 4th May 2023. The cost is mostly room / venue hire and staffing to administer the election.
- Building Maintenance £217k. The budgets have been increased reflecting overspends over the last few years.
- HVO fuel for vehicles £157k. This was approved at July Council as it is a transitional fuel to carbon neutrality.
- Fees and Charges budget reduced income £116k. The largest part is building control income. Given Covid and changes in demand, some re-alignment is not unexpected.

6) **Compensating factors**

- **National Insurance (NI)** reduced cost £230k. Rates for employers and employees were increased for 2022/23 but in the Autumn of 2022 the increases were reversed. The Council's budget included the additional costs, so a saving can be declared of £230k. However, the Government had increased local Government funding by £200m to cover the costs of the higher NI. This funding was removed from councils nationally as part of the 2023/24 settlement.
- **Fees and Charges Inflation.** The budget guidelines recommended a assumption of 4% increases in fees and charges in 2023/24. During the course of the budget process, it became apparent that a higher rate of inflation would prevail in 2022 and 2023. The setting of fees and charges is, however, more nuanced. Increases must reflect wider Council policy objectives and overall financial position. A report to Council in December identified the increases that were above 4%, as well as some that needed to be held down.

Below are other material items that changed the budget in 2023/24:

Car Parking Income

As reported to November Cabinet, current financial monitoring suggests car parking income could be £1.0m-£1.3m below the 2022/23 budget. The 2022/23 budget assumed a return to an average 83% against pre-pandemic activity level and allowed for increases in fees and charges. The risk of recession and lack of full recovery of income mean the 2023/24 budget is, for planning purposes, assumed to be £1.3m lower than the 2022/23 budget, before allowing for the impact of fees and charges increases for long stay. The MTFS also identified that over the coming years the Council car parks would be reviewed and a number could be shut for redevelopment, but, given the lower than anticipated usage, it is now less likely the closures will impact on overall income.

Pension Costs – 3-year Actuarial Valuation (saving £317k per year)

The Council is obliged by statute to offer its employees membership of the Local Government Pension Scheme (administered by Essex County Council). The scheme changed from a "final salary" to a "career average" scheme in 2014/15. The scheme offers members a defined benefit funded by employee and employer contributions. Every three years, an actuarial valuation of the fund takes place which determines the Council's contributions made up of payments for current service (employees) and funding deficiency to make good any estimated historic shortfalls in the fund's assets measured against its future liabilities.

For the 3-year valuation period from 1st April 2023 to 31st March 2026, the fund's actuary has changed the contribution position significantly. In summary:

- The Council's annual contribution for current service costs has increased by £549k
- The Council makes contributions for the 'deficit' on the fund. The last 3-year contribution required an £867k annual transfer to reserves to ensure the reserve was sufficient to cover the cost. However, the new 3-year payment due in 2023/24 has fallen to £530k and can be funded from reserves without a need to make an annual transfer to those reserves, resulting in an annual saving of £867k. The reserve is discussed further in section 6.
- The net overall position is that the Council will be making an annual £317k saving on its pension contributions in 2023/24 (compared to 2022/23) and for the following 2 years.

VAT Leisure case

A favourable factor that is not shown as a variance is that the Council was successful in its litigation with HMRC concerning the VAT liability of leisure charges. This should enable the Council to retain an additional £760k of income in the 2023/24 budget. However, the Council is still in dialogue with HMRC about this. The financial planning has included an assumption that this is resolved in the Council's favour. The Council anticipates that the matter should be resolved in the next 18 months. In **Section 6**, the use of reserves is proposed to support the budget until the case is concluded. This of course carries a risk if the case fails but a balance of potentially unnecessary service cuts must be weighed against that.

Savings & Efficiencies (Net budget reductions)

The increased costs identified and enhancement to services give rise to a budget gap. To fund some of this shortfall, Directors and Cabinet members have identified cost reductions and income generation plans whose financial impact is shown in **Table 7**. Of the overall £1.531m, some £0.62k relates to increases in fees and charges and the balance £0.91m relates to cost savings/sharing and retention of VAT on some theatre income.

Table 7

Efficiency, Income or Saving	Savings	
	£000s	Notes
Fees and charges over 4%. December 2022 Council.	620	1
Suspend Digital Programme-reflecting the prevailing high cost of recruitment and retention which reduces current cost effectiveness.	204	
Cost sharing; review of income generating contracts	202	
Staff Savings	153	2
VAT cultural exemption on theatres. Only to be finalised by HMRC in April 2023.	150	
Improved Temporary Accommodation Void Management	100	
Miscellaneous Items	76	
Changes in Grounds Maintenance operational practices	26	
Grand Total	<u>1,531</u>	

1) There has been a slight increase in the expected income from £596 to £620k since reported to December Council.

2)A number of back-office posts are removed.

Section 4 **2023/24 Service Investment**

This section of the report identifies increases in the 2023/24 budget to deliver new corporate initiatives. These investments in services are categorised according to how they are funded.

Revenue Funded Service Investments

There are two types:

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

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

Capital Investments in Services

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

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

Council approval is sought annually each February for the Capital Strategy, which provides details of overall funding and capital expenditure plans. A summary of how revenue and capital expenditure are linked is included in **Section 5** of this report.

Approval of New Capital Schemes

Table 8 shows the new capital scheme budgets for which approval is sought. Within the scheme narrations in Table 8a, the approval process for capital expenditure is managed in three ways: firstly, a number of schemes are fully approved for officers to undertake; a second category requires Directors and Cabinet members to agree a more detailed business case before undertaking the scheme; a third category allows for an initial budget to be approved by Council with delegation to future Cabinet meetings to agree individual business cases. The impact of the new schemes completed by the end of 2023/24 is a net additional revenue cost of £46k per year. The ongoing cost of financing the overall capital programme is shown in Section 5. However, the programme and costs will be reviewed again in 2023/24 and further assessments of affordability and prioritisation will be undertaken at that time before schemes proceed.

Table 8								
CAPITAL PROGRAMME - New Schemes Identified for Approval								
	Details	2022/23	2023/24	2024/25	2025/26	2026/27	Later Yrs	Total Spend
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
	New Schemes (see table 5 narrative for details)							
1	Oaklands Museum Staff Room and Kitchen Refit			24				24
2	Retail Market Traders' Conveniences Remodelling and Refurbishment			102				102
3	Cemetery Lining of Foul Water Drain		29					29
4	Crematorium Office Pyramid Roof		18					18
5	South Woodham Ferrers Pool Works and Plant			275				275
6	Freighter House Depot Resurfacing Works			72	36	36	72	216
7	Lighting Columns Replacement and Upgrade to LED Lighting		40					40
8	Play Area Refurbishments			317	272			589
9	Public Convenience Refurbishment - Admirals Park and Central Park		84	84				168
10	High Chelmer Car Park Lifts				355			355
11	High Chelmer Car Park Waterproofing Levels 11,12,13				500			500
12	Market Road Conveniences Accessibility		20					20
13	UKSFP Grant Funded Schemes	20	45	281				346
14	Rural England Prosperity Fund - Supporting Businesses and Communities		100	300				400
	<u>Schemes where Delegation Required for Cabinet/Officers to Spend Once Business Cases Received</u>							
15	Chelmsford Sports and Athletics Centre Gym Improvements		168					168
16	Green Initiatives Fund			1500	1000	1000	3000	6,500
	Sub Total	20	504	2,955	2,163	1,036	3,072	9,750

	Details	2022/23	2023/24	2024/25	2025/26	2026/27	Later	Total	
		£000s	£000s	£000s	£000s	£000s	Years	Spend	
							£000s	£000s	
	<u>Potential Funding</u>								
9	Play Areas S106			-24	-37				-61
14	UKSPF Grant	-20	-45	-281					-346
16	Rural England Prosperity Fund		-100	-300					-400
	Total of New Scheme Proposals After Funding Applied	0	359	2,350	2,126	1,036	3,072		8,943

Table 8a New Schemes Narratives

1. Oaklands Museum Staff Room and Kitchen Refit £24k 2024/25

This proposal is for a full refurbishment of the Staff Room which is a multi-functional room that is also used for preparation of corporate hires. It is a statutory requirement for employers to provide adequate amenities and a room for staff to take rest breaks. The existing Staff Room does not currently have adequate ventilation, causing problems with condensation and damp. There is a window, but this cannot be opened to give natural ventilation for security reasons. Building services have advised that the existing extractor fan needs to be upgraded, and an air transfer grille installed in the fanlight above the door opening. This scheme should significantly improve the Staff's ability to service corporate hires and improve the wellbeing and performance of the staff working at the Museum.

Council Objective to achieve Net Zero Carbon position by 2030 - This scheme will include energy efficient lighting.

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

2. Retail Market Traders' Conveniences Remodel and Refurbishment £102k 2024/25

This proposal is to remodel the toilets to create a unisex toilet layout with an improved larger accessible toilet in accordance with current building requirements. This will provide a fairer, more inclusive Chelmsford by allowing the opportunity for wheelchair users to work within the market in line with the "Our Chelmsford, Our Plan" bringing people together. It will provide improved conditions for traders which again helps to achieve the aim of providing a fairer society to those who work in Chelmsford. Without the remodelling the Council could be open to challenge under the Equality Act 2010.

Council Objective to achieve Net Zero Carbon position by 2030 - This scheme will include energy efficient lighting and heating appliances.

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

3. Cemetery Lining of Foul Water Drain £29k 2023/24

The existing foul water drains are in a poor condition and have become blocked and impaired in the past by tree roots. It is proposed to remove the roots and then insert a structural liner in the drain to prevent further root ingress. Additional inspection chambers will be installed along the drain run to make it easier maintain drains and clear any blockages that may occur in the future. There are clearly implications if the drains do not work as intended and there are responsibilities to maintain the drains in good working order for health and safety purposes. If repairs are not carried out it is likely that this will lead to more call outs and unplanned ad hoc repairs, which may be disruptive to the operation of the Crematorium and may result in there being a higher number of dissatisfied end users and complaints.

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

4. Crematorium Office Pyramid Roof £18k 2023/24

The Office serving the Crematorium has a pyramid shaped roof covered with Cedar shingles. The Cedar shingles on some areas of the roof have deteriorated due to greater weathering. It is proposed that the weathered shingles are replaced, and repairs carried out to ensure the building remains watertight and prevent the risk for water ingress and damage to the building and its contents.

Council Objective to achieve Net Zero Carbon position by 2030 - Cedar Shingles are a natural material and are sourced from sustainable and responsible forest management schemes and are an environmentally friendly option. The use of Cedar Shingles as a roofing material is considered sustainable and does not have a negative impact on the environment.

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

5. South Woodham Ferrers Pool Works and Plant £275k 2024/25

This proposal will ensure the pool remains operational and that Health and Safety issues are addressed. It will provide replacements for the boiler, hot water systems, pool hydraulics and pumps and replace broken poolside ceramic tiles. If these works do not go ahead as planned there may be plant breakdowns which will impact the operation of the leisure centre and the broken poolside tiles will be a hazard to users. The condition of the tiles will be monitored until the works commence. The pool will have to be closed for the works to be completed. The estimated loss of income during the closure is £45k.

Council Objective to achieve Net Zero Carbon position by 2030 - The replacement boilers will be more energy efficient and the hot water system will utilise solar energy.

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

6. Freighter House Depot Resurfacing £216k 5-Year Prog. Commencing 2024/25

It is a condition of the Council's Environmental Permit (issued by the Environment Agency and required to operate from the depot) that any surfaces should be solid to ensure that liquids (rain/leachate/leaks etc) are contained and processed in accordance with regulations to avoid environmental pollution of the land. Without this permit, the Council would not be able to carry out any operations such as waste collection. Over years, the surfaces and sub-surface layers have deteriorated leaving large areas that need priority repairs. Apart from the risk of losing the permit, there are also health and safety issues where some of the holes are so large that vehicles swerve when going over them, and staff have to try and avoid them when walking. The 5-year programme of works will enable the depot surface to remain defect free and comply with the obligations under the permit.

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

7. Lighting Columns Replacement and Upgrade to LED Lighting £40k 2023/24

This proposal is to upgrade lighting columns in Central Park and some town centre surface car parks to provide safer areas and walkways for users at night by improving the levels and reliability of lighting. This will help to ensure communities are safe.

Council Objective to achieve Net Zero Carbon position by 2030 – The new LED lights are generally 50% more efficient than the existing lights.

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

8. Play Area Refurbishments £589k 2-Year Programme Commencing 2024/25

The proposal is to continue the programme to refurbish a number of equipped play areas in 2024/25 and in 2025/26, including those at John Shennan Field, Baddow Hall Park, Wickham Crescent and Admirals Park. The refurbishments will ensure that the play areas are safe to use, accessible, and provide equipment for various age groups.

When the works are complete, the play areas will be subject to independent safety inspection. Without refurbishments, the equipment will reach the end of its safe lifespan and will have to be removed progressively over time. The play areas will also continue to be inaccessible and not inclusive for all ages.

Council Objective to achieve Net Zero carbon position by 2030 – where possible the products used are made with recycled materials such recycled plastics/rubber. Additional tree planting and landscaping is an integral part of all schemes.

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets and review whether there is any additional CIL or S106 funding which can be used towards the cost of the scheme.

9. Public Convenience Refurbishment £168k 2-Year Prog. Commencing 2023/24

There is no statutory obligation for the Council to provide public conveniences but there is a moral expectation from the public to have them available and that they should be of a reasonable standard. This proposal is for the refurbishment of the 1950' built public toilet blocks in Central Park and Admirals Park. The refurbishment will provide outward facing unisex cubicles including disabled facilities allowing all gender groups to access them fairly (similar to those installed at Hylands Park which have proved extremely popular). The outward facing cubicles will lead to less vandalism and illegal activities. The facilities would be open to the public during park opening hours. The upgraded toilets will help promote healthy lifestyles as more of the public will feel more confident to use the parks/open spaces as there will be high quality toilets available for those that need them. The reputation of the council will be increased through high value assets leading to fewer complaints about the facilities. If the proposal does not progress the facilities will continue to degrade and there will be more dissatisfaction and complaints.

Council Objective to achieve Net Zero carbon position by 2030 – new LED lighting will be incorporated into the plan to replace existing fluorescent lighting.

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets and to review whether there is any S106 or CIL funding which can be used towards the cost of the scheme.

10. High Chelmer Car Park Lifts £355k 2025/26

This proposal is to modernise the existing three passenger lifts located in High Chelmer Multi Storey car park. There is a statutory requirement (Health and Safety) to provide lifts and this proposal will ensure that they continue to be operational, well maintained and will make a significant difference to the customer experience. The lifts were installed circa 1970 and underwent a partial refurbishment in 2009 but are now showing signs of wear, in line with the high usage they receive. There are a number of issues relating to the health and safety of passengers and operatives that need addressing to ensure compliance with regulations and legislation. The lifts will be more reliable and safer with an improved user experience. There are enhanced security and safety features. The works will directly contribute to the corporate aim of “providing high quality public spaces” by ensuring that we “maintain our accreditation for safe car parks and parking facilities”. It will reduce the potential for accidents and ensure compliance with appropriate standards. If the works are not carried out, future maintenance and repair costs are likely to increase.

Council Objective to achieve Net Zero carbon position by 2030 – the new lifts will be more energy efficient than the existing lifts.

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

11. High Chelmer Car Park Waterproofing Levels 11, 12, 13 £500k 2025/26

Major resurfacing works were carried out in 2013 and had an estimated 10-year life. Cracks have started to appear on the decks and following a condition survey, so provision should be made for major works to the surfaces in order to maintain the structure of the building. It is estimated that there could be a potential loss of income of £41k during the period of works.

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

12. Market Road Conveniences Accessibility £20K 2023/24

This proposal is for an upgrade to the city centre Market Road facility’s radar locking scheme by installing a key-fob-style access system on both the disabled toilet and onto the two 24hr toilets so that they can remain open when the staff have gone home, and installing a CCTV camera to assist with queries and protect staff if they are called out. The existing locking system is very widely used and it is easy to obtain keys to gain entry. Due to the unauthorised access and inappropriate use the facilities are now more often than not closed whilst they are being repaired or cleaned. The public who need these facilities, such as disabled etc., are therefore excluded. This would benefit any access group member and also the taxi drivers who have no facilities in the evenings.

It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets and to review whether there is any CIL funding which can be used towards the cost of the scheme.

13. UK Shared Prosperity Fund (UKSPF) Grant Funded Schemes 3-Year Programme £346k Commencing 2022/23

The UK Shared Prosperity Fund replaces the European Structural and Investment Programme. It 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. In July 2022, Cabinet noted the publication of the prospectus for the UK Shared Prosperity Fund, endorsed Chelmsford's developing Investment Plan, approved the approach of seeking endorsement of the Investment Plan from the One Chelmsford Board, and recommended that the Council approve the expenditure of the Prosperity Fund allocation in accordance with the Investment Plan. The UKSPF fund must be used for schemes that will deliver positive outcomes for local residents and businesses. A requirement of the funding is that a proportion must be spent on capital projects and this proposal is to approve the capital expenditure. Currently the proposed capital projects include funding for a social supermarket, funding for Mid Essex Livewell Alliance projects, a contribution to a new innovation centre and gazebos for the High Street.

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

14. Rural England Prosperity Fund (REPF) Supporting Businesses and Communities £400k 2-Year Programme Commencing 2023/24

This is potential Government funding for capital schemes to support rural businesses and communities. For businesses, it is to be used for small scale investment in micro or small rural businesses including funding for net zero infrastructure, growing the local social economy and supporting innovation and for developing and promoting the visitor economy.

For rural communities, the grant can be used for investment in capacity buildings and infrastructure support for local civil society and community groups. The creation and improvements of local rural green spaces, funding for existing local cultural, historic and heritage institutions and for local arts, cultural, heritage and creative activities. For funding active travel enhancements in the local area, rural circular economy projects, impactful volunteering and social action projects, to develop social and human capital in local places.

The One Chelmsford Board will oversee the delivery of this fund. Applications will be invited, assessed and scored against the grant scheme criteria. Once complete, the projects will be reviewed to ensure they have met the objectives of the funding.

Delegated authority was approved at Cabinet in November to the Chief Executive who, in consultation with the Leader of the Council and the S151 Officer, would ensure the REPF is approved and subsequently would agree how the grant funding scheme should operate and ensure spending is within the approved budgets.

15. Chelmsford Sports and Athletics Centre Gym Improvements £168k 2023/24

This proposal is for improvements to the gym and fitness offer at the centre by expanding the first-floor gym into the adjacent studio, allowing the ground floor free weights area to be made into a larger ground floor studio. These works will ensure the facilities continue to meet existing and new customer expectations. The proposal will help to achieve an increase in monthly memberships and gym income which is estimated to be an additional £25k per annum. Although the works will be scheduled to minimise any disruption to the service there

will be a loss of income during the period of works estimated to be £7.5k. If this scheme does not proceed the additional proposed income of £25k per annum will not be achieved.

Council Objective to achieve Net Zero Carbon by 2030 - This scheme will include energy efficient lighting.

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

16. Green Initiatives Fund £6.5m 5-Year Programme Commencing 2024/25

A Council objective is to achieve Net Zero Carbon by 2030. The approach and strategy for decarbonisation of the Council's activities and operations have been agreed in principle and this budget provision is requested to support the ambition of the Council. The plan includes budgets for decarbonising the vehicle fleet, including the replacement of all fleet vehicles of less than 3.1 tonnes with electric powered alternatives, improving energy efficiency and reducing energy consumption, completing the LED lighting replacement programme and optimising the energy efficiency of ventilation and cooling systems, and decarbonising heating/cooling systems through the use of air-source heat pumps and alike, as new technology emerges.

Delegation to Cabinet to approve the business case.

Section 5 **The impact of Capital Expenditure on the Revenue Budget**

The Council is required by statute to produce a Capital Strategy each year, which is reported to Council in a separate report but at the same time as the budget. It gives an overview of how capital expenditure, capital financing, and treasury management activity contribute to the provision of local public services. It also provides an overview of how the associated risks are managed and the implications for the future financial sustainability of the Council. The next few paragraphs are a summary of how the capital expenditure links to the revenue budget.

The Council capital programme is shown in **Section 4** (table 8, new schemes) and **Section 10** (Replacement Programme and previously approved schemes). The capital programme is different from revenue budgets in that borrowing and asset sales may be used to fund expenditure.

The Council's financing of its capital programme is always estimated as part of the budget process but only finalised at financial year-end. The actual methods of financing can differ from the estimates depending on resources available and the relative costs of each resource. The S151 Officer will determine the optimal mix of resources at the end of the financial year.

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

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

- Additional running costs, income, or savings resulting from the acquisition of equipment or on completion of a capital project.
- Funding of capital schemes
 - A. Direct Revenue Financing of capital schemes. An expenditure line in the Council's Revenue budget which in effect funds capital expenditure.
 - B. Borrowing costs. Interest and principal repayments (Minimum Revenue Provision (MRP)) are a revenue cost.
 - C. Aborted Schemes. Feasibility or design works on schemes that are aborted are revenue costs. Any such costs funded from capital, capital grants or borrowing will need to be charged to revenue resources. This is a requirement under government accounting practice.

A. Direct Revenue Financing of capital schemes

The revenue budget for 2023/24 contains no contributions for (direct revenue financing of capital), reflecting the significant financial pressures on the Council's revenue budget. This represents a downward variation in cost of £2.155m compared to last year's budget.

B. Borrowing Costs

The Council's capital programme does require the use of borrowing, which results in a cost to revenue. The first part of that revenue cost is, for internal borrowing, interest forgone from not investing Council funds or, for external borrowing, paying interest on loans. The second part is a charge to revenue for a Minimum Revenue Provision (MRP). MRP is an instalment to pay down debt.

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

The MRP charge is made to revenue budgets for capital schemes funded from borrowing the year after the asset is complete. For equipment, a half-year MRP charge is made in the first year of ownership. The use of borrowing means the Council will finance its programme on a sustainable basis but via annual contributions to repay debt.

Table 9

Internal and External Borrowing Combined	2022/23 £ms	2023/24 £ms	2024/25 £ms	2025/26 £ms
New Annual Borrowing (includes finance leases)	17.331	13.245	14.581	3.135
Less MRP Repaid	-0.393	-0.834	-1.539	-2.089
Cumulative	35.837	48.248	61.290	62.336

The projected level of external cash borrowing is set out in the Capital, Treasury Management and Investment Strategies. It should be noted that the level of external cash borrowing will be lower than shown in the table above due to internal borrowing, which, for instance, is use of cash arising from having reserves which the Council does intend to spend.

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

Table 10

**Budgeted Net Revenue Costs Changes -
financing costs of Capital Programme**

	2022/23 £ms	2023/24 £ms	2024/25 £ms	2025/26 £ms
Estimate Interest Income	-0.70	-1.29	-0.97	-1.10
Estimated Interest Costs	0.01	0.02	0.35	1.00
Estimated MRP Scheme and Leases	0.91	1.28	1.95	2.38
Net revenue cost of financing capital	0.22	0.01	1.33	2.28
Financing costs less				
Acquisition (Town centre premises) financial benefit	0.00	-0.21	-0.21	-0.21
Income gain from new scheme proposals	0.00	-0.03	-0.03	-0.03
Net financing cost after scheme benefits	0.22	-0.23	1.09	2.04
Change Year on Year		-0.45	1.32	0.95

The extent to which we need to borrow externally will need to be reassessed during 2023/24 as projects such as Waterside develop into more rounded business cases. Currently, the costs of the Waterside project are shown impacting on cash and resources but potential gains from the development (revenue and capital) are not yet sufficiently known to be included. Given that the scheme cost is tens of millions, clearly the financial

benefits should be significant. The net financing position could change significantly in a favourable way. The projections above assume a £9m higher cost than the approved budget (as previously reported to October Cabinet), but if the cost comes in on budget, external borrowing would fall by £9m and interest savings would be circa £400,000.

The interest costs have risen significantly in the latter half of last year as the PWLB rate increased from less than 2.8% to 4.5%. The estimates assume a borrowing interest rate of 4.5%.

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

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

The revenue forecast in **Section 6** includes the MRP cost of the proposed Capital Programme.

C. Aborted Schemes Feasibility or Design Works

The Council can charge feasibility and design works to capital resources only when a scheme results in the creation of an asset. Should a scheme not continue to completion, any costs charged to capital would be required under Government accounting practice to be charged to revenue. The risk of costs falling on revenue increases when the Council undertakes schemes with partners or where the scheme is only viable due to external funding. In these circumstances, the Council may find it cannot continue with a scheme for reasons beyond its control. Given the significant size of the capital programme, this risk can be managed by maintaining an earmarked reserve to alleviate the consequences, which is detailed in **Section 6**.

Section 6 **Balanced Revenue Budget 2023/24, Forecast & Reserves**

Balanced Revenue Budget 2023/24

The budget has been balanced using a mix of cost savings, income generation, higher fees and charges, increased use of reserves, and a Council tax increase.

The draft budget assumes a Council tax increase of £6.22 (£436k of extra income). After allowing for the increase in the number of properties in Chelmsford (tax-base increase), this results in a total additional Council Tax income of £570k. However, the deficit on the 'collection fund' for prior years Council Tax of £193k is funded from reserves, in line with normal practice. Further details on Council Tax can be found in **Section 8**.

Reserves: The £1,652k in the table is an increase in the use of reserves compared to 2022/23. The planned use of reserves is discussed later in this section. It is important to assess the prudence of that reserve use in the context of the forecast of future years' budgets, the overall level of reserves, and the risks identified in Section 7; taking into account the S151 officer's commentary on the budget.

Revenue Budget Forecast

A forecast of capital expenditure and resources is contained in the Capital Strategy, in line with statutory requirements. The Budget should be considered along with a 5-year forecast (including Reserves and Council tax) when decisions are made regarding what is affordable and sustainable. The revenue forecast is shown below.

Table 11 Revenue Budget Forecast	2024-25	2025-26	2026-27	2027-28
Variations Year On Year	£000s	£000s	£000s	£000s
Pay Inflation at 3%	1,080	1,112	1,145	1,179
Business Rates (including revaluation)	200	60	60	60
Other inflation	130	-197	105	108
Reserve no longer supporting fuel inflation		300		
Income Inflation @2% per year	-492	-502	-512	-522
Homelessness	248	336	334	334
City Growth provision	177	177	191	170
Growth provision	300	300	300	300
Other	124	127	33	88
Net Capital Financing costs	1,320	950	300	300
Elections	-302	0	0	302
Reduced use of reserve election	302	0	0	-302
Rental Income voids (commercial lets)	339	-420	-389	0
Rental income -use/+reduced of reserve	-339	339	0	0
Energy costs reduced use of reserves	768	768	0	0
VAT Leisure case resolved income		-760		
Reduced use of reserve VAT		760		
Council tax income	-633	-659	-683	-710
Government Funding	0	0	0	0
Less use of Reserves (other)	245	0	0	0
Year on Year Shortfall	3,467	2,691	884	1,307
Cumulative Shortfalls		6,158	7,042	8,349

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

- Cost inflation is forecast to run at higher levels than the Council's income increases. The income rise assumptions are lower due to the expectation that there is limited ability and appetite for increases above 2% in fees and charges.
- Frozen government funding.
- Energy prices do not decline from 2023/24 rates and use of reserves to fund energy costs is withdrawn over 2024/25 (£768k) and in 2025/26
- Vehicle fuel prices fall in 2024/25 back to 2020/21 levels
- Provision for growth in the demand for services such as refuse, parks and street cleaning (£177k), and housing services (£248k), plus annual allowance of £300k for service improvements.
- Assumed tax base growth is 800 properties per year which would generate £177k in additional income in 2024-25, insufficient to pay for increased services demands. Council tax is forecast to increase by 3% per year.
- Higher capital financing costs appear to be the largest single cause. However, as discussed elsewhere in this report (**section 5**), much of this cost could be said to be from re-instatement of the Asset Replacement Costs (£1.7m per year). Additionally, higher interest rates also play a large part.

It has been clearly evidenced by world events over the last few years that the forecasts are fallible and that financial strategy must manage the unexpected. The most likely changes to the forecast relate to inflation (energy, pay and fuel) and interest rate assumptions, all of which could be beneficial or adverse in impact. **Section 7** identifies the view of the S151 officer regarding the approach needed to manage these shortfalls. It should also be noted that if the Council is unsuccessful with HMRC on the VAT Leisure case, the budget gap will increase by a further £760k.

A potential positive factor which the Council has no control over is the level of Government funding. Though currently the Government seems to imply it will not provide additional funding, it would seem reasonable that the Government cannot freeze support in a high-inflation environment. Some of the Extended Producer Responsibilities Grant could also be retained by the City Council. This may provide some £0.4m to £1.4m of additional income in 2024/25. However, this is far from certain.

Reserves in 2023/24

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

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

There are a number of positive and negative factors that could influence the level of reserves and these are discussed in **Section 7**. The Council should target a level of approximately £9m of unearmarked reserves, whilst recognising that the level of balances will fluctuate over time as it adjusts to short-term pressures in the revenue budget. **Section 7** identifies the issues that the S151 Officer considers when setting the target.

One factor of particular note: the Council was successful in its litigation with HMRC concerning the VAT liability of leisure charges. This should in practice be worth £760k in the 2023/24 budget. However, the Council is still in dialogue with HMRC about this. It is unclear when this is likely to be resolved but a reasonable expectation is in the next 18 months. Use of reserves is proposed to avoid further service cuts as there is a high potential of the Council retaining this VAT. The reserves projections reflect two years of drawdown and an expectation of recovering this funding from HMRC. The

projections do not include the potential £4m back claim that is also being sought. This reflects a balanced approach to the risks.

The Reserve levels have been updated and are discussed below.

Table 12

Variation in Reserve -use/+contribution between 2022/23 original budget and 2023/24 proposed budget. (This table differs from the forecast reserves table later in the report in that the 2022/23 figures shown below are original budget, the forecast table reflects the latest projection for 2022/23.)

Budget 2022/23	2023-24	Variation Reserve name
-50	0	50 Carry Forward & Supplementary reserve
0	50	50 Property sinking fund
	-760	-760 VAT saving (take from reserves)
-207	-200	7 Local Plan
	0	0 Master Plan Reserve
	-1,535	-1,535 Utility reserve
-100	-50	50 Insurance Reserve reduced use
	-304	-304 Fuel Reserve
	-35	-35 Cultural reserve use - grant
-1449	-624	825 Unearmarked Reserve Use
-1,806	-3,458	-1,652 Subtotal
-1767	-868	899 Business Rates Reserve
867	-534	-1,401 Pension Ongoing contribution is nil
-2,706	-4,860	-2,154

The table does not include transfer between reserves. These are noted below, with explanations of the use of reserves in 2023/24.

Table 13

Transfer +to/- from reserve £m	Reserve Name
<u>Contribution from Revenue:</u>	
£0.05m	Establish a reserve to support management of properties let on commercial terms. The Reserve will establish a fund to contribute towards refurbishment and reletting costs. The contribution is effectively setting aside some of the additional income generated from rents.
<u>Transfer from General Fund and Contingency to Earmarked Reserves</u>	
£0.2m	To earmark funding for supplementary estimates in 2023/24. This is intended to provide greater clarity over the level of any surplus unearmarked reserves.
£0.388m	To Local Development Framework. To fund local plan expenditure. Over a forecast 5-year period.
£0.604m	Funding for higher vehicle fuel prices (assumed to temporary for 2 years).
£1.52m	VAT Leisure case. The prospect of winning the case is deemed to be high (based on legal advice). To avoid making cuts that may not be necessary, the equivalent of 2 years of the potential gain

	has been set aside in this reserve. The reserve will be drawn down until the case is resolved. The forecast assumes recovery of the £1.52m but the actual potential gain could be back dated and worth circa £4m.
£2.303m	Utility Costs. The report contains details on the wider issue. Funding of 18 months' projected additional costs is transferred into this reserve and drawn down.
Transfer from Earmarked Reserves to General Fund (unearmarked reserve)	
£0.069m	Growth fund. The funding has been transferred into the Unearmarked reserves.
£0.065m	Transfer from the Master Plan Income Reserve to General Fund.
£0.655m	Transfer from the Pension Reserve surplus due to lower pension deficit on tri-annual pension fund valuation.
Use of Reserves to Support expenditure	
£0.0.35m	Cultural Support Fund.
£0.2m	Local Development framework.
£0.76m	VAT leisure case use of reserve on assumption the Council will win final stage of the case.
£0.534m	The Council makes on a 3-year cycle a payment to the pension fund to cover past deficits. This is that payment.
£0.05m	Anticipated use of Insurance reserve to cover uninsured losses. Annual provision is now being made to cover insurance claims. The use of reserve is planned to decline to zero by 2024/25. This will make the Council's finances more sustainable.
£0.6m	Use of reserves to fund loss of rental income (temporary void period) £0.13m, £0.19m Council Tax deficit and £0.3m Elections.
£1.839m	Use of Reserves for cost increases including £1.535m Utility costs and £0.304m for vehicle fuel.

A forecast of the reserves for 2023/24 and future years is shown in **Table 13** at the end of this section. It also identifies the purpose of each reserve and any delegation for their use.

The forecast includes the use of Unearmarked reserves of £670k (2024/25) to fund loss of rent income (assumed temporary void periods for commercially let properties), £200k per year for supplementary estimate funding, and a one-off £1520k of transfer into reserves on the assumption that the VAT Leisure case is successfully concluded.

Usable Reserves Projections																			
	2022/23 Projected				2023/24 Budget				2024/25 (Forecast)				2025/26 (Forecast)				2026/27 (Forecast)		
	Provisional	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	Transfers	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	
	£000s	£000s		£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Earmarked																			
Cultural Support 'Fund'	132	-43		89	89	-35		54	54	54	54	54		54	54		54	54	
Chelmsford development	2,156	-2,156		0	0			0	0	0	0	0		0	0		0	0	
Infrastructure Provision	1,259			1,259	1,259			1,259	1,259	1,259	1,259	1,259		1,259	1,259		1,259	1,259	
Growth fund	69			69	69	-69		0	0	0	0	0		0	0		0	0	
Insurance	910	-100		810	810	-50		760	760	760	760	760		760	760		760	760	
Local Development Framework	819	-207		612	612	-200	388	800	800	-200	600	600	-200	400	400	-200	200	200	
Pension deficiency	1,833	867		2,700	2,700	-534	-655	1,511	1,511	1,511	1,511	1,511		1,511	1,511	-545	966	966	
Park and Ride	176			176	176			176	176	176	176	176		176	176		176	176	
Hylands House Reserve	3			3	3			3	3	3	3	3		3	3		3	3	
Housing Initiatives	150			150	150			150	150	150	150	150		150	150		150	150	
DPO Reserve	79			79	79			79	79	79	79	79		79	79		79	79	
Project Evaluation Resrve	348	-6		342	342			342	342	342	342	342		342	342		342	342	
Carry forwards & Supplementary estimate Reserve	286	-280		6	6		200	206	206	206	206	206		206	206		206	206	
Master Plan Income	65			65	65		-65	0	0	0	0	0		0	0		0	0	
New: Vehicle Fuel Reserve				0	0	-304	604	300	300	-300	0	0		0	0		0	0	
New VAT Lesiure Case Reserve				0	0	-760	1,520	760	760	-760	0	0	1,520	-1,520	0		0	0	
New:Sinking Fund for let property				0	0	50		50	50	50	100	100	50		150	150	50	200	
New :Ulilty Costs Reserves				0	0	-1,535	2,303	768	768	-768	0	0		0	0		0	0	
Total Earmarked Reserves	8,285	-1,925	0	6,360	6,360	-3,368	4,226	7,218	7,218	-1,978	5,240	5,240	1,370	-1,520	5,090	5,090	-695	4,395	
Unearmarked																			
General Fund & Contingency	15,137	-1,757		13,380	13,380	-624	-4,226	8,531	8,531	-670	7,861	7,861	-200	1,520	9,181	9,181	-200	8,981	
	15,137	-1,757	0	13,380	13,380	-624	-4,226	8,531	8,531	-670	7,861	7,861	-200	1,520	9,181	9,181	-200	8,981	
Total other reserves	23,422	-3,682	0	19,740	19,740	-3,992	0	15,748	15,748	-2,648	13,101	13,101	1,170	0	14,271	14,271	-895	13,376	
Not Available to Support Spend, until financial year end when the actual position is determined.																			
Business Retention reserve	4,635	-3,767		868	868	-868		0	0	0	0	0		0	0		0	0	

The Reserves projection for 2027/28 is Unearmarked reserves to decline to circa £8.5m due to the use of reserve to fund the local elections in that year.

Reserves - Purpose and Delegation																			
	Purpose					Delegation													
Cultural Support 'Fund'	To contribute to Cultural Services costs					Relevant Director & Cabinet member													
Chelmsford development	To support the ongoing development of the Chelmsford City area.					Section 151 & cabinet member for a Fairer Chelmsford													
Infrastructure Provision	To manage the risk of Capital costs becoming chargeable to revenue					Section 151 & cabinet member for a Fairer Chelmsford													
Growth fund	Funding Held for Strategic Planning issues					Relevant Director & Cabinet member													
Insurance	To meet losses and policy excesses where more appropriate to insure internally than externally.					Relevant Director & Cabinet member													
Local Development Framework	To meet expenditure on the LDF					Relevant Director & Cabinet member													
Pension deficiency	To support the financing of the deficiency payments on the pension fund. To fund one off staff costs e.g. flexible retirements, redundancy.					Chief Executive, Director of Corporate Services for one off staff costs.													
Park and Ride	Contingency to smooth management contract costs of Park and Ride					Relevant Director & Cabinet member													
Hylands House Reserve	To contribute to Hylands House and Estate costs					Relevant Director & Cabinet member													
Housing Initiatives	To establish funding to undertake initial stages of projects that may not be capital costs.					Section 151 & Cabinet member													
DPO Reserve	The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process					Chief Executive													
Project Evaluation Resrve	The capital programme includes scheme which require further feasibility and business work, so this reserve enables production of robust business plans					Section 151 & Cabinet member													
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													
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													
New: Vehicle Fuel Reserve	To used as part of the budget process to alleviate the temporary increase in vehicle fuel					Budget Decision. Cabinet													
New VAT Leisure Case Reserve	To support the budget, whilst a successful outcome is sought with HMRC					Budget Decision. Cabinet													
New:Sinking Fund for let property	Provide resilience due to the volatility of properties that generate rent income					Budget Decision. Cabinet													
General Fund	These are uncommitted working balances to meet the unforeseen needs of the Council.					Normal Supplementary estimate rules (within constitution)													
Business Retention reserve	To meet timing issues arising from Business Rate Retention					To be used by Section 151 as part of the annual closure of the Business Rate account													

Section 7 Risks & Robust Budget

Statement from the Chief Financial Officer under s25 of the Local Government Act 2003

Introduction

The Chief Financial Officer (S151 Officer) is required to make an annual statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under the Local Government Act 2003 (Section 25) and must be made at the time the budget is considered and the council tax is set. The Act requires the Council to have regard to the report in making its decisions at its budget and council tax setting meetings.

In expressing this opinion, I have considered the financial management arrangements of the Council, the overall financial and economic environment, the financial risk facing the Council, the budget assumptions, the level of reserves, and the Council's overall financial standing.

Financial Management Arrangements

Budget Monitoring: The Council has established and continually updates its strong system of budget monitoring and financial control, with regular reporting both at Executive and Scrutiny level via the Audit & Risk Committee (year-end review), Overview and Scrutiny Panel (mid-year review), and Cabinet. Post Covid lockdown conditions and high inflation make budget monitoring and setting challenging. When budget variances have been recognised in either capital or revenue monitoring, management actions have been identified. The monitoring process has highlighted areas (such as car parking income and capital schemes) where budgets have needed adjusting and appropriate formal reports have been made.

The Council continues to meet best practice requirements to produce a suite of financial management reporting, including the budget report, Medium-Term Financial Strategy (MTFS), Treasury Management and Investment Strategies, and Capital Strategy, which form the framework for financial decision-making. In addition, the Council has due regard to both statutory and non-statutory guidance including the Prudential Code for Capital Finance in Local Authorities and related DLUHC Investment Guidance.

Budget Setting: The budget has been prepared within the terms of the Medium-Term Financial Strategy and in consideration of the key financial risks identified. The process of setting the budget for 2023/24 has been the subject of the following report:

- Medium Term Financial Strategy July 2022
- Budget Update October 2022
- Budget Update and Fees and Charges Review December 2022

The last two reports are not normally produced and reflect the financial stress the Council is suffering (arising from inflation and post covid economic changes).

The S151 statement about the robustness of estimates gives Members reasonable assurance that the budget has been based on the best information and assumptions available at the time. However, events such as the Covid Pandemic and world events show that it is not possible to identify every risk. The changes in circumstances once the

estimates are set can only be mitigated by an appropriate level of reserves/contingency to cover risk.

Independent Review of Financial Management: Under National Audit Office (NAO) Code of Practice regulations, external auditors are also required to make a Value for Money assessment to consider that local authorities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The assessment has to be published 3 months post audit completion. The Council's auditors (BDO) have not completed their audit of the accounts for 2020/21 nor 2021/22. The delays are due to the auditor, who has publicly confirmed this at Audit and Risk Committee. The delays at Chelmsford are part of a national problem. The lack of Value for Money Assessment is therefore a weakness in the Council's financial arrangements, which the auditors are committed to address. However, they have not raised any concerns about value for money based on the work they have completed to date. The Section 151 officer believes it will be several years before external auditors catch up with the national backlog.

The lateness of external audit reports also means the budget is being set without external validation of the reserve balances. The Section 151 officer does sign off the accounts with confidence that financial reporting (including reserves) is correct, but it is of great importance that timely external scrutiny of the accounts takes place.

The scrutiny of financial management is also undertaken by Internal Audit, Audit and Risk Committee, the Performance review work of the Overview and Scrutiny Committee, the Treasury Management and Investment Sub-committee, and the Risk Management process.

Statement by S151 on the robustness of estimates: I consider the financial management arrangements of the Council to be sufficiently robust to maintain adequate and effective control of the budget for 2023/24.

The S151 officer would ask members to note that robustness must be seen in the context of the risks identified below.

Financial Risks

The financial forecasts and strategy are reported every July in the Medium-Term Financial Strategy (MTFS) to Cabinet and Council. This budget report updates the financial forecast for the next 5 years in **Section 6**. It is not a comprehensive reworking. The purpose of the forecast is to enable members to assess the ongoing sustainability of budget decisions. The forecast should be considered in conjunction with the comments included in this section from the S151 officer.

Efficiency and Savings: It is always possible to find some areas where a cost saving can be made. However, annually finding large efficiency savings has been the practice for over a decade and that cannot continue indefinitely. The Council will find meeting budget shortfalls increasingly challenging.

VAT Leisure: as stated previously in the report: the Council was successful in its litigation with HMRC concerning the VAT liability of leisure charges. This should in practice be worth £760k in the 2023/24 budget. However, the Council is still in dialogue with HMRC. It is unclear when this is likely to be resolved but a reasonable expectation is in the next 18 months. Use of reserves is proposed to avoid further service cuts when there is a high potential of the Council retaining this VAT. The reserves reflect two years of draw down and an expectation of recovering this funding from HMRC. There is a risk that if the

case is not resolved in the Council's favour, an additional £760k of ongoing savings will need to be found and unearmarked reserves will be £1.5m lower than forecast. The projections do not include the potential £4m back claim that is also being sought.

Capital Programme: The Council has an ambitious agenda that requires capital investment. This generates a number of risks:

- With high inflation and supply chain problems, scheme costs are at risk of rising significantly above budgeted levels.
- Like most Councils, the City funds some capital expenditure from internal or external borrowing. The Revenue budget is charged MRP on this borrowing, so higher capital scheme costs result in higher MRP charges.
- Rising interest rates also cause the revenue cost of schemes to rise.
- Financial business cases are drawn up for most schemes before approval into the programme. The largest exception to this is the Waterside re-development. The costs of financing Waterside are included within the budget. This mostly lost investment interest on CIL funds and the budgets also allow for a potential additional £9m above budget spend. Given the size of the Waterside project, the S151 officer believes that the costs of financing the capital programme as reported in this budget may fall in net terms on completion of the scheme when financial benefits are realised. However, without a firm business plan, it is prudent to reflect the large costs of the project in the budgets and forecasts.

As part of the July MTFs, the S151 recommends that officers undertake a detailed review of all schemes and replacement items to determine if prevailing inflation and contingent risks are sufficiently built into capital schemes. If higher inflation looks like it will persist across future years, it may be necessary to apply annually a standard rate of inflation to capital budgets.

Economic Structural changes post pandemic

During 2020/21 and 2021/22, much of the financial focus had been on the effect of the coronavirus pandemic on the Council's income streams, with parking, commercial rents, leisure, and other income streams being badly hit. The 2022/23 budget assumed partial and then full recovery in 2023/24 in all areas except for car parking. However, insufficient time had elapsed since the pandemic lockdowns to have had a full year of data on customer behaviour post pandemic, which created a risk of under or over estimating income.

The budget for 2023/24 has a lower amount of income for car parking than in 2022/23, reflecting that the income has not recovered as much as estimated. The level of income projected for 2023/24 is now based on actual income received during 2021/22 and 2022/23 and therefore is more robust than the 2022/23 budget. This reduces the level of risk in the budget for what is still a major income source for the Council (£6.1m for 2023/24).

Car parking activity is likely to be affected by the developments taking place on the former Riverside site, Baddow Road, and also following reviews of the City Centre car parks. Given the spare capacity (reflected as lower income) in the Council's car parks it is now assumed that the redevelopments are unlikely to impact on income levels materially as customers have alternative car parking options.

The Council owns a number of office units which it lets out at commercial rates. The Council is exposed to the risk that letting these premises becomes more difficult due to

the trend towards working from home. Table 14 below shows the total income and anticipated vacancies as leases end and new tenants must be found. The temporary losses of income are planned to be met from unearmarked reserves. There is potential for longer vacant periods or income levels not returning to initial values.

Table 14

Property	Full Year Income Expected	Void Losses (in year reflecting part year void)		
		23/24	24/25	25/26
Aquila House	-£400,000	£350,000	£0	£0
1 Springfield Lyons	-£727,300	£0	£500,000	£250,000
Total	-£1,127,300	£350,000	£500,000	£250,000

Inflation and adverse economic conditions

Inflation: The level of inflation is forecast to start to decline during 2023/24. That does not mean prices will fall, but simply the rate of price increases will be lower. The report identifies in Section 3 details of how the budget allows for cost increases. The most significant inflation risks are Energy and Pay.

Energy: During the autumn of 2022, energy price forecasts provided to the Council implied a budgetary increase of £2.5m would be needed. During December, fortunately the pressures abated significantly and data from the Council's energy suppliers implies £1.5m additional funding should be sufficient. Wholesale prices since Christmas (up to the beginning of January) have continued to fall and gas prices have been reported to be below pre-Ukraine war levels. The Government has recently announced that it will continue with an energy support scheme for businesses and public bodies but with a lower level of support. There was insufficient time between the Government announcement and the report publication deadline to identify if there would be any financial benefit to the Council. The risks for energy costs therefore are both on the upside and downside. The use of reserves will be necessary to manage this risk.

Pay: Even with a 4% growth in planned staffing costs, there remains a significant risk that pay costs could be higher.

Other inflation costs: Services budgets have been increased when there were specific inflationary cost increases, e.g., vehicle fuel, postages, mechanical sweeper brushes etc. But as there have been no general increases in budgets for inflation, so there is a risk that service budgets will be insufficient as costs continue to rise.

Revenue budget growth: The forecast in Section 6 includes provision for £0.3m of annual revenue growth. This also needs to fund the revenue financing costs of any new capital scheme proposals. In year cost growth is approved as a Supplementary estimate and cabinet reports, the budget for 2023/24 and reserve forecast reflects £200k per year for supplementary estimates.

Housing Service costs: This remains a long-term financial risk. The financial impact is felt by the Council through increasing demand for Temporary Accommodation. The supply

and unit cost of Temporary accommodation is proving challenging. Adverse cost variations could be measured in the hundreds of thousands of pounds a year.

Cost of living crisis and impact on demand: The level of demand for Council services where charges are levied can be reduced as people have less income in real terms. The budgets have been set assuming a level of demand consistent with current budget monitoring in 2022/23 but members should note the impact of a 1% or 5% drop in gross income as shown below:

Table 15

Service	Proposed budget £000s	1% reduction £000s	5% reduction £000s
Leisure	£7,702	£77	£385
Car parking	£6,098	£61	£305
Theatres	£1,921	£19	£96
Planning	£1,785	£18	£90
Cemetery & crematorium	£2,677	£27	£134
Total	£20,183	£202	£1,010

It is possible if demand drops dramatically that cost reductions can be achieved but often such cost reductions should take place only when balanced against ability to re-provide the service back at the higher level as the economy recovers.

Fees and Charges Increases: The principles of supply and demand have to be considered when the Council increases the prices it charges for its services. Normal budgetary practice has been an inflationary increase of 2% in Council charge. This practice has always been deviated from when there is a case for higher or lower charges. For 2022/23, the average planned increase in the budget was just over 3%, and for 2023/24, 4%. These are below the prevailing rates of inflation in the wider economy.

The case for higher charges always has to be weighed; customer affordability against the benefits to the residents of maintaining service provision funded from increasing charges. There is a risk that price increases can be counter-productive in reducing demand and overall income. There will never be sufficient information to prove categorically in advance the impact of increases; it will be a matter of judgement based on experience. The December Council approved increases in charges above the 4% planning target based on officers' judgement.

Government funding: the Government has provided an increase in cash funding of £0.39m for 2023/24, which is better than expected in the Council's financial planning. However, that cash still represents a real terms reduction in funding. The Government has provided some certainty that current funding formulas are likely to apply to 2024/25. The budget for 2023/24 therefore differs to 2022/23 by building in New Home Bonus (NHB) as an ongoing funding stream (within an overall Core spending power calculation). Further loss of NHB in 2024/25 should, in theory, be offset by grant increases to at least maintain Core spending power. The risk remains that Government funding is cut in future but, based on the evidence currently available, that risk is only material for the years after 2024/25.

Extended Producer Responsibilities (EPR). These are proposals included in the Government's waste and resources strategy which applies the 'polluter pays' principle to ensure that producers are required to pay for the full costs of disposal of packaging that they place in the market - the part that is relevant to the City Council is that costs of the household kerbside recycling collections should be met through the EPR, rather than being a direct burden to the Council. The extended producer responsibilities are now also embodied in the provisions of the Environment Act 2021. Given the high standards of collection processes in Chelmsford, it was felt that the additional funding to be received in 2024/25 would be of benefit to the overall Council budget. However, the 2023/24 local government settlement makes clear that the Government is now seeing the EPR funding as part of the overall funding picture, not additionality. There is a significant upside risk that the Government could allow the Council to retain some of this funding. Officers believe on the limited data available that the grant could have been circa an additional net £1m per year.

Business rate retention: the Council retains a share of the growth in the local Business Rate income. The Council's ongoing budget is supported by £500k per annum from the scheme. The 2022/23 revenue monitoring has identified that some £2.0m of additional income may arise from business rate retention. This income has been allowed for in projections of the 2022/23 financial outturn and thereby in the level of reserves shown in this report. However, the complex nature of the scheme means that there is a risk that the income does not get accounted for in 2022/23 but instead in 2023/24, and of course there is a risk that the level of estimated income changes. The position will only be finalised at the end of January as required by the statutory accounting arrangements. The report therefore contains a delegation for the S151 officer to amend the report after January Cabinet.

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

The decisions about the level of reserves also needs to take into account the financial forecasts identified in this report, as the reserves are key in managing the risks beyond 2023/24.

Level of Reserves and Overall Financial Standing

Last year this report noted that nationally there was an increasing number of Councils issuing Section 114 notices. An S114 notice stops all non-essential spending and provides for a 21-day period for the Council to consider the report and what action it may take as a result. A significant number of Councils during the Autumn of 2022 stated publicly that their financial position was approaching the point where the S114 notices were becoming quite possible. Demand and inflationary pressures were becoming unmanageable. It is unlikely, given the provisional settlement is effectively only for one year, that underlying financial issues facing local government nationally have been resolved. The Council's own financial position remains very challenging, with a large-planned use of reserves in 2023/24 and significant budget shortfalls forecast for the years beyond 2023/24.

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

The S151 officer's view of 2023/24 reserve use is:

- Projections of the level of reserves show that they remain close to the target set

- The cost increases facing the Council are significant and their impact should be spread over a number of years by using reserves. This will enable the most effective resolution to be found
- The most significant cost increases relate to energy price rises. It is possible that prices may remain elevated over the longer term, but they may fall from current levels. It is not necessary to cut services whilst sufficient reserves are in place.
- Government policy is that local authorities should be using reserves to manage the financial challenges in 2023/24. This in reality is a matter that should be determined locally by members after careful consideration.
- The use of reserves in the financial forecast must show their material use will cease
- The level of reserves must also be determined by looking beyond a single year. It should also be recognised there is much less ability going forward to boost the level of reserves, so their use must be carefully managed.

Determining the appropriate levels of reserves is a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget preparation, corporate plans, budget assumptions, earmarked reserves and provisions, and the Council's track record in budget management. The Budget Strategy, approved by Council in December 2020, contained a recommendation to increase the target level of unearmarked reserves to £9m, this was in response to the pandemic. It was a significant monetary increase from £7m to £9m and it provided additional capacity to cope with variations in the estimates.

Without world events, it may have been possible to lower the targeted level of unearmarked reserves back to perhaps its pre-pandemic level. However, given high inflation, the S151 officer recommends £9m is an adequate target level of unearmarked reserves for 2023/24.

In **Section 6, Table 8**, the projected use, and levels of Reserves to the period 2026/27 are shown. There is a decline in the level of unearmarked reserves, so the forecast falls to below the £9m target. The difference is not sufficient to be a problem in the short term. Another mitigating factor is a number of new unearmarked reserves have been created to manage the financial risks associated with inflation, so there will be less pressure on unearmarked reserves.

The Council holds a number of earmarked reserves to provide for future expenditure such as pension deficit payments, to guard against specific risk such as the reserve to support revenue costs of abortive capital projects, and to hold uncertain income until it is fully realised (Business Rates Retention income). Further detail on these reserves is contained in **Section 6** of the report.

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

Conclusions

The budget shortfalls shown in the financial forecasts are more problematic than those in the past as:

- Annually finding large efficiency savings which has been the practice for over decade cannot continue indefinitely.
- Reliance on income generation brings over the longer term the increased commercial risks, such as can income be maintained.

- Government funding changes have continually been deferred which continues uncertainty and hampers effective long-term planning. Lower tier district Councils have received relatively lower funding than upper tier authorities. It is reasonable to assume that the City Council cannot rely on any material increases in support from Government to resolve the longer-term issues it faces.

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

The Council has always maintained robust financial management which has been achieved by Members, the Chief Executive and Directors practicing strong financial discipline including recognising the financial restrictions on the Council.

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

Phil Reeves - S151 Officer/Chief Financial Officer

Section 8 Council Tax & Business Rates

The Council's budget is heavily dependent on Council tax income. Not only is the amount significant (£15m) but it also provides a stable income. The Council has only limited discretion to increase Council Tax, as the Government annually set a threshold which, if exceeded, requires a local referendum.

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

This section identifies the issues arising from Business Rates and Council Tax when setting the Council's Budget for 2023/24.

Council Tax Referendums

The Government has announced that Council Tax increases of the greater of either 3% or £5 for District authorities will not be subject to a local referendum. The budget includes proposals to increase a band D Council Tax by £6.22 per year, which is within this limit.

Council Tax, Parish Grant & Special Expenses Proposal 2023/24

The Council levies Council Tax by identifying a Precept (net Council expenditure after government grants); a charge is then calculated for each residential property. The average of these charges is expressed as a "Band D Average". The average is estimated by dividing the precept by the tax base (the number of Band D equivalent properties in the City Council area). The tax base for 2023/24 is 70,762.89.

A summary of the known Council Tax charges from each of the precepting authorities (an average is shown for Parishes) is shown in **Table 10**.

Table 16

	2022/23	2023/24	Increase	
	£	£	£	%
Chelmsford City Council (average)	208.86	215.08	6.22	2.98
Essex County Council	1,401.12			
Police, Fire and Crime Commissioner for Essex	218.52	To follow		
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	75.33			
	<hr/>			
	1,903.83			
Parish and Town Councils (average)	41.93			
	<hr/>			
TOTAL	<hr/> 1,945.76 <hr/>			

The Parish Council figures are not yet all available but will be included in the report to Council in February with Special Expenses.

The creation of 2 new parishes on the 1st April 2023, means that Officers under delegation will calculate the first-year precepts. These will be included in the resolution to Full Council in February.

A Council Tax resolution will be drafted for Council upon approval of the precepts. The dates when the precepts become known are Essex County Council on the 9th February and Essex Police & Fire on the 7th February.

If any precepts are not available by the 22nd February Council meeting, an additional Council meeting will be convened to approve Council Tax billing levels.

The S151 Officer will prepare a formal Council Tax and Budget resolution for February Council based on the Cabinet recommendations in this report. The budget resolution is a technical document which reflects the information contained in the Revenue Budget reports. The resolution can only be completed on receipt of all the Parish information and after the Council has declared its Collection Fund Surplus or Deficit.

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

Council Tax Surplus or Deficit

The Collection Fund records the amount of income collected from Council Tax and the Local Council Tax Support scheme costs, together with precept payments to principal authorities. These elements will generate a surplus or a deficit which should be taken into account when determining the Council Tax for the following year. Chelmsford City Council's share of the Council Tax deficit for 2023/24 is £193k.

Business Rate Surplus or Deficit

To meet the legal requirements when setting the budget for 2023/24, the Council is required to declare by the 31st January 2023 a Business Rate Retention Surplus or Deficit, after submitting a return (NNDR1) to Government. The Business Rate Retention figures contained in this report are therefore provisional and will be updated so that the Council Tax Resolution produced for Council will include a summary of the final surplus or deficit. Any changes to the figures will be managed through Reserves (Business Rates Timing Reserve and Unearmarked Reserves)

CHARGES TO PARISH AND TOWN COUNCIL AREAS

Table 17

PARISH/ TOWN COUNCIL	2022/23								2023/24							
	-- PARISH PRECEPTS --			BAND D EQUIVALENTS					-- PARISH PRECEPTS --			BAND D EQUIVALENTS				
	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes
(1) £	(2) £	(3) £	(4) £	(5) £	(6) £	(7) £	(8) £	(1) £	(2) £	(3) £	(4) £	(5) £	(6) £	(7) £	(8) £	
Boreham	90,900	-18	90,882	183.69	5.85	189.54	63.09	252.63				186.66	5.58	192.24		192.24
Broomfield	159,360	84	159,444	183.69	22.41	206.10	57.15	263.25				186.66	26.73	213.39		213.39
Chelmer Village	0	0	0									186.66	38.97	225.63		225.63
Chignal	8,001	0	8,001	183.69	29.70	213.39	24.12	237.51				186.66	34.56	221.22		221.22
Danbury	331,618	-12	331,606	183.69	3.60	187.29	135.00	322.29				186.66	2.61	189.27		189.27
East Hanningfield	36,459	-20	36,439	183.69	26.73	210.42	73.35	283.77				186.66	25.56	212.22		212.22
Galleywood	109,812	-47	109,765	183.69	27.00	210.69	51.57	262.26				186.66	31.95	218.61		218.61
Garden Community	0	0	0									186.66	22.86	209.52		209.52
Good Easter	10,710	4	10,714	183.69	17.73	201.42	59.85	261.27				186.66	20.16	206.82		206.82
Great & Little Leighs	33,000	33	33,033	183.69	33.39	217.08	28.71	245.79				186.66	36.81	223.47		223.47
Great Baddow	454,244	109	454,353	183.69	8.55	192.24	82.89	275.13				186.66	9.09	195.75		195.75
Great Waltham	73,620	37	73,657	183.69	22.05	205.74	77.49	283.23				186.66	25.20	211.86		211.86
Highwood	40,030	-3	40,027	183.69	19.89	203.58	119.79	323.37				186.66	22.68	209.34		209.34
Little Baddow	47,435	-28	47,407	183.69	19.35	203.04	54.09	257.13				186.66	22.32	208.98		208.98
Little Waltham	49,526	-8	49,518	183.69	23.67	207.36	55.80	263.16				186.66	30.51	217.17		217.17
Margaretting	12,420	-12	12,408	183.69	20.16	203.85	31.95	235.80				186.66	22.77	209.43		209.43
Mashbury	0	0	0	183.69	17.73	201.42	0.00	201.42				186.66	20.16	206.82		206.82
Pleshey	7,479	5	7,484	183.69	17.73	201.42	54.72	256.14				186.66	20.16	206.82		206.82
Rettondon	44,336	36	44,372	183.69	24.66	208.35	54.54	262.89				186.66	28.26	214.92		214.92
Roxwell	16,000	-19	15,981	183.69	0.00	183.69	33.30	216.99				186.66	1.71	188.37		188.37
Runwell	113,506	37	113,543	183.69	18.09	201.78	59.76	261.54				186.66	20.79	207.45		207.45
Sandon	36,960	-24	36,936	183.69	23.49	207.18	48.15	255.33				186.66	25.29	211.95		211.95
South Hanningfield	90,825	-30	90,795	183.69	19.62	203.31	74.16	277.47				186.66	22.05	208.71		208.71
South Woodham Ferrers	436,914	67	436,981	183.69	24.21	207.90	71.37	279.27				186.66	27.09	213.75		213.75
Springfield	430,483	320	430,803	183.69	31.77	215.46	52.47	267.93				186.66	39.24	225.90		225.90
Stock	49,174	-25	49,149	183.69	19.08	202.77	40.23	243.00				186.66	21.87	208.53		208.53
West Hanningfield	26,406	-8	26,398	183.69	21.69	205.38	54.90	260.28				186.66	22.05	208.71		208.71
Woodham Ferrers & Bicknacre	83,384	50	83,434	183.69	18.90	202.59	67.05	269.64				186.66	22.32	208.98		208.98
Writtle	147,786	-81	147,705	183.69	2.43	186.12	72.99	259.11				186.66	4.14	190.80		190.80
City Centre (Non-Parished Area)				183.69	34.11	217.80	0.00	217.80				186.66	38.79	225.45		225.45
TOTALS	2,940,388	447	2,940,835									0	0	0		
AVERAGE						208.86	41.93	250.79						215.08		

Not all Parish Precepts received so will be provided for Full Council

Section 9 Revenue Budget Reports

Revenue Service Budgets

This section contains

1. Subjective Analysis of the Council Revenue Budget (**Table 18**)
2. A summary of the budget (**Table 19**)
3. Service Budgets (Expenditure and Income) for 2022/23 (**Table 20**)

Table 18 - SUBJECTIVE ANALYSIS OF THE REVENUE BUDGET

2021/22 Actual £000s		2022/23 Original £000s	2023/24 Estimate £000s
	EXPENDITURE		
34,529	Employees - Salaries	35,485	39,560
404	- Other	237	232
7,678	Premises	8,731	10,810
11,991	Supplies and Services	11,557	12,203
2,352	Transport and Plant	1,668	2,433
2,838	Third Party Payments	1,810	2,061
36,014	Benefit Payments	39,313	34,704
95,806	TOTAL CONTROL EXPENDITURE	98,801	102,003
	INCOME		
-39,360	Government Grants	-38,811	-33,426
-4,900	Other Grants and Reimbursements	-3,820	-3,784
-1,637	Sales	-960	-1,519
-19,372	Fees and Charges	-23,934	-25,197
-7,993	Rents	-8,428	-8,918
-1,776	Other	-2,100	-2,106
-75,038	TOTAL CONTROL INCOME	-78,053	-74,951
20,768	NET CONTROL EXPENDITURE	20,748	27,052
	INTERNAL RECHARGES		
25,322	Service Management and Overheads	26,434	27,944
-25,507	Recharges	-26,624	-28,139
-185		-190	-195
20,583	SERVICE EXPENDITURE	20,558	26,857
	OTHER ITEMS		
-616	Interest Receivable & Investment Income	-701	-1,290
353	Interest Payable & MRP	921	1,304
-2,181	Net Business Rate Retention Impact	-500	-500
1,988	Direct Revenue Financing of Capital	2,155	-
-5,206	New Homes Bonus & Other Govt Grants	-3,383	-3,646
-5,662		-1,508	-4,132
	USE OF RESERVES AND BALANCES		
1,712	Contributions - from / to Earmarked Reserves	510	-3,368
893	Contributions - from / to Un-Earmarked Reserves	-1,449	-624
2,605		-939	-3,992
17,526	BUDGET REQUIREMENT	18,112	18,732
-3,408	LESS GOVERNMENT SUPPORT	-3,408	-3,706
53	Collection Fund (Surplus) / Deficit	-53	193
14,171	CALL ON COLLECTION FUND	14,651	15,219

TABLE 19 - SUMMARY OF REVENUE ESTIMATES

TABLE 19 - SUMMARY OF REVENUE ESTIMATES				
2022/23		2023/24	2023/24	2023/24
Original Estimate	Original Estimates 2022/23	Estimated Spend	Estimated Income	Net Estimate
£'000		£'000	£'000	£'000
547	Chief Executive	354	0	354
10,335	Connected Chelmsford	48,164	-37,133	11,030
61	Fairer Chelmsford - CDRM	466	-297	169
1,232	Fairer Chelmsford	11,535	-9,217	2,319
-3,092	Sustainable Communities	7,485	-9,161	-1,676
11,666	Greener & Safer Chelmsford	33,999	-19,143	14,856
20,749	Service Expenditure	102,003	-74,951	27,052
	Other General Fund Items			
-190	- Charges to SEPP			-195
-701	- Interest Income			-1,290
921	- Minimum Revenue Provision & Interest Paid			1,304
2,155	- Revenue Funding of Capital			0
-3,383	- Other Grants (including New Homes Bonus, Section 31 Grants)			-3,646
-500	- Net Impact of Business Rates Retention Scheme			-500
	Earmarked Reserves			
-50	- Use of Carry Forward Reserves			0
560	- Contributions to / -use of Other Earmarked reserves			-3,368
19,561	Net Expenditure			19,357
-1,449	Contribution to / -from Balances			-624
18,112	Budget Requirement			18,732
-3,408	Baseline Retained Business Rates			-3,706
-53	Council Tax -Surplus/+Deficit			193
14,651	Income from Council Tax			15,219

TABLE 19 - SERVICE BUDGETS

CHIEF EXECUTIVE

2022/23 Original Budget £'000		2023/24 Estimated Spend £'000	2023/24 Estimated Income £'000	2023/24 Net Estimate £'000
547	CHIEF EXECUTIVE & DPO	354	-	354
547		354	0	354
547		354	0	354

CONNECTED CHELMSFORD

2022/23 Original Budget £'000		2023/24 Estimated Spend £'000	2023/24 Estimated Income £'000	2023/24 Net Estimate £'000
272	DIRECTOR OF CONNECTED CHELMSFORD	287	-	287
272	DIRECTOR OF CONNECTED CHELMSFORD	287	0	287
3,026	DIGITAL SERVICES	3,240	-56	3,183
3,026	DIGITAL SERVICES	3,240	-56	3,183
753	MARKETING AND COMMUNICATIONS TEAM	797	-	797
848	CUSTOMER SERVICES	869	-8	861
1,601	MARKETING & COMMUNICATION	1,666	-8	1,658
747	HUMAN RESOURCES	824	-41	783
133	HUMAN RESOURCES	175	-4	171
880	PAYROLL	999	-44	955
851	LEGAL & DEMOCRATIC SERVICES	966	-22	945
257	LEGAL AND DEMOCRATIC SERVICES	559	-2	557
812	ELECTIONS	893	-	893
1,920	DEMOCRATIC SERVICES	2,418	-24	2,395
168	PROCUREMENT, RISKS & INSURANCE	174	-	174
290	PROCUREMENT	290	-	290
141	VOLUNTARY GRANTS	143	-	143
58	INSURANCE & RISK	4	-	4
656	FRAUD INVESTIGATIONS	611	0	611
942	BENEFITS & REVENUES	2,310	-1,153	1,158
-282	REVENUES & BENEFITS	33,130	-33,417	-287
661	HB SUBSIDY	35,440	-34,569	871
54	CULTURE	497	-392	105
592	CULTURE	2,023	-1,921	103
674	THEATRES	982	-120	862
1,320	MUSEUM	3,502	-2,432	1,070
10,335		48,164	-37,133	11,030

FAIRER CHELMSFORD - CDRM

2022/23 Original Budget £'000		2023/24 Estimated Spend £'000	2023/24 Estimated Income £'000	2023/24 Net Estimate £'000
61	CORPORATE MANAGEMENT & DEMO. REPRESENT.	466	-297	169
61		466	-297	169
61		466	-297	169

FAIRER CHELMSFORD

2022/23 Original Budget £'000		2023/24 Estimated Spend £'000	2023/24 Estimated Income £'000	2023/24 Net Estimate £'000
-	DIRECTOR OF FINANCIAL SERVICES			
	FINANCE MANAGER	-	-	-
770	FINANCE CM & DRM	1,482	-9	1,474
770		1,482	-9	1,474
	ACCOUNTANCY, SYSTEMS & EXCHEQUER			
1,053	ACCOUNTANCY	1,092	-2	1,089
1,053		1,092	-2	1,089
	AUDIT			
196	INTERNAL AUDIT	201	-	201
196		201	0	201
	PROPERTY SERVICES			
-3,895	PROPERTY HOLDINGS	285	-4,280	-3,995
446	PROPERTY - SUPPORT SERVICES	480	-5	475
-3,448		765	-4,285	-3,521
	HOUSING SERVICES			
634	STRATEGIC HOUSING	1,712	-890	822
483	TEMPORARY ACCOMMODATION	2,198	-1,802	395
82	BED & BREAKFAST	2,211	-2,094	117
52	HOUSING NEEDS	63	-9	55
269	STRATEGIC HOUSING - RDS	184	-	184
1,141	STRATEGIC HOUSING SUPPORT	1,629	-126	1,503
2,660		7,996	-4,921	3,075
1,232		11,535	-9,217	2,319

SUSTAINABLE COMMUNITIES

2022/23 Original Budget £'000		2023/24 Estimated Spend £'000	2023/24 Estimated Income £'000	2023/24 Net Estimate £'000
	DEVELOPMENT MANAGEMENT			
589	DEVELOPMENT MANAGEMENT	2,229	-1,544	685
-110	LOCAL LAND CHARGES	146	-241	-94
479		2,376	-1,785	591
	ECONOMIC DEVELOPMENT AND IMPLEMENTATION			
469	ECONOMIC DEVELOPMENT & IMPLEMENTATION	694	-119	576
469		694	-119	576
	BUILDING CONTROL			
89	BUILDING CONTROL	548	-480	68
89		548	-480	68
	PLANNING POLICY			
806	PLANNING POLICY	1,184	-312	872
806		1,184	-312	872
	CAR PARK OPERATIONS			
-5,043	CAR PARKS	2,224	-6,133	-3,908
147	PARKING SUPPORT	153	-	153
-39	PARK AND RIDE	306	-334	-27
-4,935		2,684	-6,466	-3,782
-3,092		7,485	-9,161	-1,676

GREENER & SAFER CHELMSFORD

2022/23 Original Budget £'000		2023/24 Estimated Spend £'000	2023/24 Estimated Income £'000	2023/24 Net Estimate £'000
OPERATIONS				
1,919	WASTE & GARDEN COMPOSTING	2,898	-634	2,264
-572	TRADE WASTE	1,121	-1,616	-495
642	RECYCLING - MRF, GENERAL & FOOD	4,453	-3,350	1,103
423	VEHICLE MAINTENANCE WORKSHOP	509	-78	431
2,412		8,981	-5,678	3,303
STREET CARE AND PERFORMANCE				
173	PUBLIC CONVENIENCES	201	-	201
-17	MARKET	549	-471	78
1,540	STREET CLEANING	1,911	-87	1,824
80	STREET SERVICES	98	-33	65
167	LOVE YOUR CHELMSFORD	177	-	177
275	FREIGHTER HOUSE DEPOT	371	-9	363
1,060	FREIGHTER HSE CUSTOMER & BUSINESS SUPP	1,125	-	1,125
3,279		4,431	-599	3,832
BUILDING SERVICES				
489	BUILDING SERVICES - SUPPORT	538	-	538
1,266	BUILDING SERVICES - PROPERTIES	1,745	-189	1,556
259	ENERGY & CONTRACT MANAGEMENT	272	-	272
-	PRINT UNIT	-	-	-
2,014		2,554	-189	2,366
PUBLIC HEALTH AND PROTECTION SERVICES				
62	HIGHWAYS	96	-	96
-7	SCIENTIFIC	40	-44	-4
-200	LICENSING	200	-415	-215
21	BUSINESS COMPLIANCE	51	-25	26
32	PUBLIC HEALTH PROTECTION	41	-8	33
28	HEALTH & SAFETY	28	-	28
16	PEST CONTROL	32	-17	15
1,368	PUBLIC HEALTH & PROTECTION SUPPORT	1,535	-97	1,438
300	CCTV	387	-58	329
114	COMMUNITY SAFETY	144	-29	115
11	HOUSING STANDARDS	32	-40	-7
1	ANIMAL WELFARE	16	-15	0
1,746		2,600	-748	1,852
PARKS AND GREEN SPACES				
-10	ALLOTMENTS	19	-29	-9
577	PARKS & HERITAGE CUSTOMER & BUSINESS SUP	623	-	623
-237	HYLANDS PARK & ESTATE	161	-405	-244
107	PARKS GARDENS & RECREATION GROUNDS	148	-17	131
129	PLAY AREAS	135	-	135
-65	PARKS EVENTS & ACTIVITIES	1	-66	-65
-57	OUTDOOR SPORTS & PLAYING FIELDS	420	-398	22
120	TREE INSPECTION & MAINTENANCE	124	-4	120
-12	NATURAL & GREEN SPACE, COMMON	14	-18	-4
6	AMENITY GREEN SPACE& GREEN INFRASTR	184	-179	5
2,154	GROUND MAINTENANCE OPERATIONS	2,933	-435	2,498
193	GROUND MAINTENANCE - CREMATORIUM	212	-	212
-1,672	CEMETERY AND CREMATORIUM	884	-2,677	-1,793
1,232		5,858	-4,227	1,632
LEISURE AND HERITAGE SERVICES				
32	DOVEDALE SPORTS CENTRE	222	-204	18
302	CHELMSFORD SPORTS AND ATHLETIC CENTRE	1,053	-630	423
322	RIVERSIDE ICE AND LEISURE	5,152	-4,185	967
341	SOUTH WOODHAM FERRERS LEISURE CENTRE	1,263	-854	409
-370	CULTURAL EVENTS	-	-420	-420
282	COMMUNITY SPORTS & WELLBEING	408	-113	294
76	HYLANDS HOUSE & VISITORS CENTRE	1,476	-1,296	181
983		9,574	-7,702	1,873
11,666		33,999	-19,143	14,856

Section 10 Capital Budget Reports

Capital Budgets

This section contains:

- Revisions to Existing Approved Capital Schemes – Details in **Table 20** and **Table 21**
- Revisions to the Asset Replacement Programme 2022/23 and proposals for new budgets for 2023/24 – Details in **Table 22** and **Table 23**

Introduction

Capital expenditure is separated between Capital Schemes and the Asset Replacement Programme.

Capital schemes are one-off projects which are required to either maintain an existing service, for example essential repairs to an existing car park, or aim to enhance service delivery or generate additional income, for example additional provision of sports facilities.

The Asset Replacement Programme ensures that the existing service provision is maintained and replaces larger items of equipment and vehicles as the need arises.

As a matter of policy, to achieve net zero carbon by 2030, electrical or zero emission vehicles replacement will be considered for all vehicles unless technical/practical constraints prevent their use by a service. Ongoing work is being undertaken to ensure that future replacements will utilise new technologies to ensure that net zero carbon is achieved. This will be a move away from replacing like for like and additional cost is expected. A provision for increased costs is included with the new proposals for the Green Fund Initiative detailed in table 8.

Existing Approved Capital Schemes

Project Officers have been monitoring schemes and the updated budgets in **Table 20** reflect the latest estimated cost information. The total estimated cost is £114.755m.

A summary of variations for the current approved total scheme costs across all years is a net increase of £104k. Details of the £104k net increase are shown in **Table 20** with further details in **Table 21** where those variations are in excess of £25k.

In Section 7 of the report, the S151 officer identifies inflation as a significant financial risk facing the Council. The prices of raw materials and labour are rising. Capital scheme costs could increase above estimates when tenders are undertaken. Schemes should be reviewed for affordability and outcomes and referred back for additional approval where necessary.

Asset Replacement Programme

In order to maintain the existing level of service delivery, it is necessary to replace items of equipment and vehicles on a regular basis.

Previously, asset replacements have been approved as part of the overall programme. A decision has been taken to challenge the need for scheduled replacements to take place, and although an estimated overall cost of the asset replacement programme will be kept for forward planning purposes to enable the monitoring of the resource position, approval of individual items will be on an annual basis.

2022/23 Asset Replacements

Table 22 provides details of the 2022/23 asset replacement programme. The current approved programme is £5.170m, which is reduced to £4.038m as a result of:

- £1.025m is to be rephased to 2023/24 and future years, due to services deferring or delays in acquiring the assets.
- Net reductions to individual budgets, of £107k.

Table 23 provides further details for those variations in excess of £25K.

2023/24 Replacements

Table 22 shows there is currently £1.190m approved for 2023/24. There is a need to increase that to £4.961m for the following:

- Planned additional items of £2.913m
- Cost increases of £143k
- Slippage identified in the 2022/23 programme so some £1.018m moves into 2023/24
- Of the £1.190m of original 2023/24 programme, some £303k is now deferred to 2024/25

Table 23 provides explanations for those variations in excess of £25k for both 2022/23 and 2023/24.

The overall net cost of the replacement programme has risen by £36k and new proposals of £2.913m.

Capital and Revenue Resources

The Council funds its capital programme from leasing, third party and developer contributions, government grants, capital receipts, revenue contributions and borrowing.

The Capital, Treasury Management and Investment Strategies 2023/24 identifies the capital resources position and the Prudential Indicators. The Medium-Term Financial Forecast, in **Section 6**, identifies the revenue budget position allowing for financing costs.

TABLE 20		CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS					
Net Spend to Date 16/12/22		Approved November 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
		Original Scheme Budget	More / Reduced (-)	Latest Approved Budget	More/ (Less) Than Approved Budgets	Budget			
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
	Connected Chelmsford								
3,109	1 Theatres' Modernisation	1,000	2,246	3,246		3,246	No	Approved at Council February 2021. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. An additional £500k was approved November 2021. A further £1.246m was approved by Council in March 2022 following the return of tenders for the works. £500k approved Cabinet October 2022.	
11	2 Museum Roof Access Works Health and Safety	11		11		11	Yes	Approved Council February 2022. Delegated authority to the director to spend within the approved budget.	
	Fairer Chelmsford								
131	3 Land Development Site Investigations	365		365		365	Programming of works still to be determined	Approved Cabinet November 2021.	
685	4 Various Land Sites' Disposal Costs	612		612	120	732		Approved Council February 2022. Delegated authority to the director to spend within the approved budget.	
2,481	5 Enabling Lockside Growth Area	450	5,506	5,956		5,956	In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022.	
1,614	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.	
	7 Land Acquisition Cemetery/Crematorium	1,800	4,200	6,000		6,000	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council.	
	8 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 2026/27.	
64	9 Refurbishment of Commercially Leased Properties	720	1,480	2,200		2,200	No	Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021. Additional £1.1m agreed at Cabinet October 2022. Urgency approved November 2022.	
5,821	10 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisiton 20 x Houses	8,200		8,200		8,200	Yes	Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Budget for purchase of 20 houses. Budget deferred for 2 houses to 2023/24.	

		CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS					
		Approved November 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget Additional Requires Approval				
Net Spend to Date 16/12/22		Original Scheme Budget	More / Reduced (-)	Latest Approved Budget	More/ (Less) Than Approved Budgets	Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
	11 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Modular Units	3,510		3,510		3,510	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. Provision modular units.	
515	12 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Hostel Expansion	325	190	515		515	No	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2023/24. £150k approved by Cabinet June 2022 for increased cost of works to Hostel expansion. Additional £40k approved for Hostel expansion Cabinet November 2022.	
195	13 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Development	1,900	0	1,900		1,900	Business Cases to be Developed	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2023/24. Provision for development Railway Street	
	14 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	2,000		2,000		2,000	Business Cases to be Developed	Approved at Council February 2020. Delegated authority to Cabinet.	
	15 Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643		1,643		1,643	Business Case to be Developed	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.	
1,889	16 Drakes' Lane Travellers Site	1,950		1,950		1,950	Yes	Approved by Urgency March 2021.	
	17 Strategic Property Purchase	3,590	-3,590	0		0	Withdrawn	Approved at July 2022 Council meeting. Removed November Cabinet 2022.	
413	18 Property Purchase Housing Initiatives	4,315		4,315		4,315	Yes	Approved by Urgency November 2022 acquisition of property for TA	
	Greener and Safer Chelmsford								
	19 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.	
	20 Cemetery Toilet Refurbishment	86		86		86	No agreed to defer	Approved at Council February 2022. Delegated authority to Director to spend within approved budget.	
	21 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.	
145	22 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.	

		CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS					
		Approved November 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget Additional Requires Approval				
Net Spend to Date 16/12/22		Original Scheme Budget	More / Reduced (-)	Latest Approved Budget	More/ (Less) Than Approved Budgets	Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
74	23 Hylands' Outdoor Wedding Ceremony Area	75		75		75	Yes	Approved supplementary estimate June 2021 £75k	
	24 Beaulieu Park Pavilion Refurbishment	57		57		57	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works.	
	25 Chancellor Park Pavilion Works	46		46		46	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works.	
95	26 Chelmer Park Pavilion Roof	148	-50	98		98	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget. Budget reduced November Cabinet 2022.	
	27 Beaulieu Pavilion Health and Safety Works	33		33		33	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
96	28 Beaulieu Park Conversion Tarmac Court to 3G Pitch and Flood lights	90	6	96		96	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	29 Oaklands Park Upgrade Tennis Court to MUGA	91		91	86	177	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
69	30 Central Park Lake Edge Works S106	62	7	69		69	Yes	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	31 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.	
68	32 Automatic Floodgates and Provision of Locks - Feasibility		107	107		107	No	Budget approved September 2020 Cabinet. Budget vired from Rivers and Waterways Improvements.	
85	33 Mass Tree planting and Woodland Creation	4,400	-69	4,331		4,331	Reviewed Annually	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.	
4	34 Green Initiatives	500		500	-102	398	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	35 CIL Landscape Enhancement Scheme Chignal Road	11		11		11	Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.	
9	36 CIL Parks and Open Space	6	3	9		9	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	37 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.	
	38 Retail Market Drainage Improvements	31		31		31	Yes	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.	

		CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS					
		Approved November 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget Additional Requires Approval				
Net Spend to Date 16/12/22		Original Scheme Budget	More / Reduced (-)	Latest Approved Budget	More/ (Less) Than Approved Budgets	Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
99	39 Market Road Toilet Roof	101		101		101	Yes	Approved by Council February 2022. Delegated authority to the director to spend within the approved budget.	
22	40 Riverside Elevations	2,000		2,000		2,000	Under Review	£2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme.	
	41 Dovedales - Grant for Works	28	-2	26		26	Deferred	Approved at Council February 2020 and programmed for 2020/21.	
135	42 Dovedales Sports Centre Refurbishment	1,464		1,464		1,464	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.	
	43 Chelmsford Sports and Athletics Centre - Outdoor Track and External Upgrades	350		350		350	Yes	£350k approved at Cabinet October 2022. To be funded from £300k S106.	
	44 Hylands House Stable Block Toilets	44		44		44	Deferred	Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24	
146	45 Hylands House Basement Toilet	150		150		150	Yes	Approved Council February 2022. Delegated authority to Director to spend within the approved budget.	
	<u>Sustainable Communities</u>								
103	46 Chelmsford Flood Resilience Programme	4,833	0	4,833		4,833	Business case to be developed	This is the unspent budget from the withdrawn EA scheme. A new programme of works will be brought back to Cabinet at a later date.	
39	47 Public Realm Wayfinding Signs Phase 3	150		150		150	No	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC to approve scheme.	
3,510	48 Public Realm Tindal Square Design and Construction	160	4,163	4,323		4,323	No	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. Additional £485k approved at October 2022 Cabinet. Funding is being sought for the increase in cost.	
5	49 Chelmer Waterside Infrastructure - CCC Budget		250	250		250	No	Virement allocated for HIF bid design works.	
16,301	50 Chelmer Waterside Infrastructure (HIF) - Grant Funded	15,500	11,470	26,970		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 £1.1m budget funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum may also be funded by CIL or additional borrowing. £375k approved July 2022 Council for increased design fees and appointment of Project Manager.	
1,461	51 S106 Beaulieu Park Station	100	1,550	1,650		1,650	Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.	
2,865	52 S106 Beaulieu Park Station 2nd Phase	2,917	514	3,431		3,431	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.	
35	53 S106 Stonebridge Illuminations	37	6	43		43	No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.	

		CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS					
		Approved November 2022 and Additional New Schemes Approved Since that Date			Latest Forecast Budget Additional Requires Approval				
Net Spend to Date 16/12/22		Original Scheme Budget	More / Reduced (-)	Latest Approved Budget	More/ (Less) Than Approved Budgets	Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
6	54 S106 River Can Pathway Lighting Design	10	6	16		16	No	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k.	
26	55 S106 Public Art Channels	21	79	100		100	No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021.	
	56 CIL Sutherland Lodge Refurbishment	525		525		525	Business case being reviewed	Approved Council July 2017.	
	57 CIL St Andrew's Scout Hut Building	80		80		80	Dependent on Third party - Late delivery	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019.	
47	58 CIL Integrated Cycling Infrastructure Grant	100		100		100	Yes	CIL funding approved at meeting of the CIL Panel 23/1/2020.	
	59 CIL Trinity Road School Improvements	950		950		950	Dependent on Third party	Approved at Council February 2021	
97	60 CIL Road Improvements Main Road Hospital Approach Grant to ECC	97		97		97	Yes	CIL funding approved January 2019. Spend approved Council February 2022	
	61 CIL Grant Chelmsford Society Model Engineers	5		5		5	Yes	CIL funding approved December 2021. Spend approved Council February 2022.	
16	62 CIL Green Initiatives	15	13	28		28	Yes	CIL funding approved December 2021. Spend approved Council February 2022.	
	63 CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500	Dependent on Third party	Forward funding grant to ECC to be made 2021/22. Approved Council May 2021.	
	64 CIL Army and Navy Contribution to ECC	4,000		4,000		4,000	Dependent on Third party	Approved Council July 2022	
	65 CIL ECC East Chelmsford Cycling and Walking Connectivity	1,500		1,500		1,500	Dependent on Third party	Approved Council July 2022	
6	66 Townfield Street Car Park Barrier Strengthening	15		15		15	Yes	Approved February 2022 Council	
43,034	Grand Total	85,923	28,728	114,651	104	114,755			

Table 21 - 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						
4 Various Land Site Disposal Costs	612	732	120	Increase in budget	19.61%	The service has undertaken more surveys and investigations than previously estimated in order to be in a position to bring the sites forward for planning permission with a view that some of the sites may be considered for development rather than disposal. Additional sites have also been included.
Greener and Safer Chelmsford						
29 Oaklands Park Upgrade to MUGA	91	177	86	Increase in budget funded by grant	94.51%	This original budget was approved to upgrade three of the tennis courts to a multi use games area (MUGA) which would also include being able to be used for tennis. An opportunity has been identified to work in collaboration with the Lawn Tennis Association (LTA) who have proposed that an additional £86,000 is provided through their community tennis investment scheme to deliver a more comprehensive improvement scheme at Oaklands Park which would include the other two courts in the park, subject to the terms and conditions of their agreement. The City Council would procure the improvement works which would have to be underway by March 2023. The scheme will ensure all 5 current courts, fencing and public access are refurbished to the latest multi-use surface standards [the courts will provide mainly tennis facilities but nets/socket posts can be removed and the courts can be made available for other informal/ball games use and support other City Council events in Oaklands Park.
34 Green Initiatives	500	398	-102	Virement	-20.40%	The Director of Public Places agreed that this budget would be used towards the purchase of an electric sweeper which will help the Council to achieve a net zero carbon position by 2030. This budget has been vired to the capital replacement budget to cover the additional cost.

		2022/23									2023/24								
		2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO LATEST FORECAST									2023/24 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS								
		VARIATION FROM 2022/23 BUDGET ONLY									2023/24 BUDGET								
		Analysis of Variations									Variations								
Net Expenditure to 16/12/2022	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2022/23	Additional/Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2022/23	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Variance for 2022/23 Additional Cost	Total Forecast 2022/23	Original Approved Estimate 2023/24	Additional/Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2023/24	Re phasing from 2022/23 Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Item Requires Approval	Approved Replacements Deferred from 2023/24 to Later Years	Total Proposed Budget Requirement for 2023/24
		£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	39 PHPS Vehicles and Electric Chargers	141			141				0	141				0					0
	40 PHPS Air Monitoring Equipment	80	-80	PH	0				0	0		80	PH	80					80
	41 PHPS Street Lighting	21	-21	PH	0				0	0		21	PH	21				-21	0
	42 CIL Street Lighting Meadows Car Park	5			5			-1	-1	4				0					0
	43 Travel pool Cars	0			0				0	0				0					0
2	44 Scootas for the Disabled	0	2	SEN	2				0	2				0					0
6	45 Retail Market Equipment	0	6	SEN	6				0	6				0			6		6
	46 Retail Market Plant				0				0	0				0			13		13
	47 Depot Telescopic Front loader				0				0	0				0			70		70
	48 Public Convenience Van	25			25			-25	-25	0				0					0
185	49 Street Cleansing Vehicles	580	-114	PH	466	-280			-280	186		114	PH	114	280	114	75	-38	545
	50 Street Cleansing Dog Litter van	0			0				0	0				0					0
	51 Wet Team Equipment	11	-11	PH	0				0	0		11	PH	11			40		51
	52 Hit Squad Replacements	43			43	-43			-43	0				0	43		47		90
249	53 Refuse Vehicles	359	-109	PH, PV	250			-1	-1	249		105	PH	105			390		495
	54 Vehicle Maintenance	13	-13	PH	0				0	0		13	PH	13			40		53
951	55 Recycling Vehicles	969	-5	PV	964			-11	-11	953				0			100		100
29	56 Recycling MRF		30	SEN	30				0	30				0					0
828	57 Food Vehicles	840			840			-12	-12	828				0					0
	58 Service Development Van	35			35			-35	-35	0				0					0
	59 Prov. for Replacement with Electric Veh.	170			170	-170			-170	0				0	170				170
29	60 Healthy Home Loans	10	19	SEN	29				0	29				0					0
	61 Discretionary Loans DFG Funded	0			0				0	0				0					0
4	62 RIA Loans DFG Funded	0	4	SEG	4				0	4				0					0
	63 RIA Grants DFG Funded	0			0				0	0				0					0
421	64 Disabled Facility Grants	600			600				0	600				0			600		600
	65 Housing Standards	0			0				0	0				0					0
25	66 PLACE	0	25	SEG	25				0	25				0					0
	Sustainable Development																		
	67 Car Park LED Lighting	8	-8	PH	0				0	0		8	PH	8					8
	68 Car Park Vehicles and Equipment	24	-24	PH	0				0	0		24	PH	24		8		-10	22
3,504	Totals	6,148	-978		5,170	-1,025	0	-107	-1,132	4,038	200	990		1,190	1,018	143	2,913	-303	4,961

TABLE 24**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>2022/23</u>						
<u>Greener and Safer Chelmsford</u>						
20 Riverside Replacement Equipment	37	0	-37	Rephasing of spend to 2023/24	-100.00%	Replacements have been deferred to 2023/24 and removal of budgets following review
37 Parks Replacement Vehicles and Equipment	476	14	-462	Rephasing of spend to 2023/24	-97.06%	Replacements have been deferred to 2023/24 due to maintenance and improved efficiency
48 Public Convenience Van	25	0	-25	Spend to be funded from revenue	-100.00%	The vehicle is being acquired under hire agreement resulting in the cost being revenue
49 Street Cleansing Vehicles	466	186	-280	Rephasing of spend to 2023/24	-60.09%	Replacements have been deferred to 2023/24 partly due to replacing vehicles with Electric option
52 Hit Squad Replacements	43	0	-43	Rephasing of spend to 2023/24	-100.00%	Replacements have been deferred to 2023/24 to review replacement alternatives and electric alternative viability
58 Service Development Van	35	0	-35	Spend to be funded from revenue	-100.00%	The vehicle is being acquired under hire agreement resulting in the cost being revenue
59 Prov. For Replacement with Electric Veh.	170	0	-170	Rephasing of spend to 2023/24	-100.00%	Provision not planned to be used in 2022/23 and has been deferred to 2023/24
<u>2023/24</u>						
<u>Greener and Safer Chelmsford</u>						
20 Riverside Replacement Equipment	6	24	18	Rephasing of spend from 2022/23	300.00%	See above
37 Parks Replacement Vehicles and Equipment	71	542	471	Rephasing of spend from 2022/23	663.38%	See above
49 Street Cleansing Vehicles	114	508	394	Rephasing of spend from 2022/23	345.61%	Replacements deferred from 2022/23 where 102K is from a virement from the Greener Initiative Fund for electric replacements and 12K relating to price increase of sweeper
52 Hit Squad Replacements	0	43	43	Rephasing of spend from 2022/23	100.00%	See above
59 Prov. For Replacement with Electric Veh.	0	170	170	Rephasing of spend from 2022/23	100.00%	See above

APPENDIX 2

To Be completed for Full Council