

# Council Meeting Agenda

**Wednesday, 26 February 2020 at 7 p.m.**

**Council Chamber, Civic Centre, Duke Street,  
Chelmsford, Essex**

## **MEMBERSHIP**

The Mayor – Councillor Bob Massey  
The Deputy Mayor – Councillor Janette Potter

and Councillors

R H Ambor, L Ashley, H Ayres, K Bentley, M W Bracken,  
N B Chambers, D J R Clark, P H Clark, W A Daden,  
A E Davidson, C K Davidson, J A Deakin, S M Dobson,  
N A Dudley, J A Frasca, I D Fuller, J Galley,  
M C Goldman, S M Goldman, I S Grundy, N Gulliver,  
P V Hughes, R J J Hyland, A M John, D G Jones, G B R Knight,  
J C S Lager, J S Lardge, R J Lee, M J Mackrory, L A Mascot,  
L A Millane, R J Moore, G H J Pooley, R J Poulter, S Rajesh,  
J M C Raven, I C Roberts, S J Robinson, T E Roper, E J Sampson,  
C M Shaw, R J Shepherd, M Sismey, A B Sosin, J E Sosin,  
M Springett, M S Steel, C R Tron, N M Walsh, M D Watson,  
R T Whitehead, T N Willis, I Wright, S Young

Local people are welcome to attend this meeting, where your elected Councillors take decisions affecting YOU and your City. If you would like to find out more, please telephone Brian Mayfield in the Democracy Team on Chelmsford (01245) 606923, email [brian.mayfield@chelmsford.gov.uk](mailto:brian.mayfield@chelmsford.gov.uk), call in at the Civic Centre, or write to the address above.

**Recording of the part of this meeting open to the public is allowed. To find out more please use the contact details above.**

# **COUNCIL**

26 February 2020

## **AGENDA**

### **PART 1**

1. **Apologies for Absence**

2. **Mayor's Announcements**

3. **Declarations of Interest**

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

4. **Minutes of the meeting held on 22 January 2020** (copy attached)

5. **Public Question Time**

To receive questions from members of the public in accordance with Council Rules 10.1 to 10.6 on any matter for which the Council is responsible.

6. **Cabinet Question Time**

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

7. **Police, Fire and Crime Commissioner**

As part of his wish to engage with as many Essex districts as possible during the year, Roger Hirst will attend the meeting to report on the activities and plans of the PFCC and to listen to any views councillors have on policing, community safety and fire and rescue services in Chelmsford.

8. **Reports from the Cabinet Member for Fairer Chelmsford**

8.1 Treasury Management Strategy for 202/21

8.2 Capital and Investment Strategy for 2020/21

8.3 Revenue and Capital Estimates for 2020/21

8.4 Council Tax Premium on Long Term Empty Properties

## 9. **Reports from the Leader of the Council**

### 9.1 Pay Policy Statement for 2020/21

### 9.2 Cabinet Deputies

The Leader of the Council will report that he has appointed

- (a) Councillor Dan Clark as Cabinet Deputy for Strategy to support the Leader in promoting the new "Our Chelmsford, Our Plan" and on related communications issues, and to support the Deputy Leader where necessary; and
- (b) Councillor Smita Rajesh to the role of Acting Cabinet Deputy for Affordable Housing as maternity leave cover for Chloe Tron.

## 10. **Notice of Motion – Charter Against Modern Day Slavery**

Pursuant to notice duly given, Councillor R J Hyland will move:

“This Council notes:

Modern Slavery is happening nationwide and locally. Traffickers and slave masters use whatever means they have at their disposal to coerce, deceive and force individuals into a life of abuse, servitude and inhumane treatment. This can include sexual and criminal exploitation.

This Council believes:

- that action needs to be taken to raise awareness of modern slavery and the fact that it is happening all over the UK
- that councils have an important role to play in ensuring their contracts and supplies arrangements are set up to combat modern day slavery and exploitation.

This Council resolves:

To sign and adopt the principles of the Charter against Modern Slavery to ensure our procurement practices do not support slavery.

The 10 pledges Chelmsford City Council is committing to by signing and adopting the principles of the Charter Against Modern Day Slavery are as follows:

1. Train its corporate procurement team to understand modern slavery through the Chartered Institute of Procurement and Supply's (CIPS) online course on Ethical Procurement and Supply.
2. Require its contractors to comply fully with the Modern Slavery Act 2015, wherever it applies, with contract termination as a potential sanction for non-compliance.
3. Challenge any abnormally low-cost tenders to ensure they do not rely upon the potential contractor practising modern slavery.
4. Highlight to its suppliers that contracted workers are free to join a trade union and are not to be treated unfairly for belonging to one.
5. Publicise its whistle-blowing system for staff to blow the whistle on any suspected examples of modern slavery.
6. Require its tendered contractors to adopt a whistle-blowing policy which enables their staff to blow the whistle on any suspected examples of modern slavery.

7. Review its contractual spending regularly to identify any potential issues with modern slavery.
8. Highlight for its suppliers any risks identified concerning modern slavery and refer them to the relevant agencies to be addressed.
9. Refer for investigation via the National Crime Agency's national referral mechanism any of its contractors identified as a cause for concern regarding modern slavery.
10. Report publicly on the implementation of this policy annually.

Councils are uniquely placed to be at the forefront of the fight against modern day slavery and are demonstrating awareness and ethical leadership by voluntarily signing the charter against modern day slavery. This will give us a baseline to build on previous statements; to implement year-on-year improvements and evidence the progress on how we are tackling the risks and incidence of modern day slavery in our operations and supply chains."

11. **Prayers at Council Meetings**

The Mayoral Working Group has considered the comments of councillors on the consultation on the arrangements for prayers at Council meetings. It suggests that the Council consider the following:

To agree that each Mayor be given discretion to decide for the duration of their office whether the Council should observe some form of reflection before the start of each Council meeting, whether it be, for example, prayers, another act of worship or a period of contemplation.

PART II (EXEMPT ITEM)

NIL

**CHELMSFORD CITY COUNCIL**  
**MINUTES OF THE COUNCIL MEETING**

**held on 22 January 2020 at 7pm**

PRESENT:

The Mayor (Councillor R Massey)  
The Deputy Mayor (Councillor J A Potter)

Councillors

R H Ambor	N Gulliver	S J Robinson
L Ashley	P V Hughes	T E Roper
H Ayres	R J J Hyland	E J Sampson
K Bentley	A M John	C M Shaw
M W Bracken	D G Jones	R J Shepherd
D J R Clark	G B R Knight	M Sismey
P H Clark	J C S Lager	A B Sosin
W A Daden	J S Lardge	J E Sosin
J A Deakin	R J Lee	M Springett
S M Dobson	M J Mackrory	M S Steel
N A Dudley	L A Mascot	N M Walsh
C L Finney	L A Millane	M D Watson
J A Frasca	R J Moore	R T Whitehead
I D Fuller	G H J Pooley	T N Willis
M C Goldman	R J Poulter	I Wright
S M Goldman	J M Raven	S Young
I S Grundy	I Roberts	

1. **Apologies for Absence**

Apologies for absence were received from Councillors N Chambers, A E Davidson, C K Davidson, J Galley and C Tron.

2. **Mayor's Announcements**

The Mayor reported on the engagements he and the Deputy Mayor had attended so far during their year of office.

He expressed delight at the appointment of the Bishop of Chelmsford, Stephen Cottrell, as Archbishop of York, and regret at the news of the deaths of two former councillors, Len Bishop and Lorraine Cobbold, who had served from 1976 to 1983 and 2011 and 2015 respectively.

The Mayor said that he would inform members of the events that would be taking place during the last few months of his office in support of his chosen charity, Parkinson's UK, and he encouraged councillors to put forward nominations for the forthcoming Civic Evening at Hylands.

3. **Declarations of Interest**

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

Councillor Young reported that she had a non-pecuniary interest in the subject of the notice of motion on firework displays at Item 10.

4. **Minutes**

The minutes of the meeting on 16 July 2019 were signed as a correct record.

5. **Public Question Time**

Eight members of the public attended to ask questions on the decision of the Council last year to restrict admission of children under the age of 16 to the Riverside Leisure Centre gym in the evenings following complaints about the behaviour of some of them. Their concerns about the decision were based on the following:

- the lack of consultation with users of the gym before the restriction had been introduced;
- the apparent contraction between the restriction and the Council's aim in its Health and Wellbeing Plan to encourage more physical activity among people of all ages to improve health and combat obesity;
- the fact that for some young people it was difficult to use the gym before 5.30pm on a weekday owing to educational and other commitments;
- the view that the decision to treat young people differently to older users of the gym amounted to discrimination, but no Equality Impact Assessment had been made available to the public;
- the fact that until the restriction had been introduced, Riverside had been one of the few places where young people could use a gym after 5.30pm; and
- the low number of formal complaints about the behaviour of young people using the gym at Riverside.

A petition of over 700 signatures, 460 of which were from Chelmsford residents, had been submitted to the Council, calling on it to reverse its decision and allow young people to use the facility until 9pm.

In response to the points raised by the questioners, the Cabinet Member for Safer Chelmsford said that:

- the Council had not banned the use of the gym by young people; they had unrestricted access to it from 0600 to 1730 on weekdays and 0600 to 1900 at weekends, access after those hours if accompanied and supervised by a paying adult, and there were no time restrictions on the use of other parts of the Centre;
- the initial decision to relax the times of use when the gym had first opened had not worked; there had been complaints of bad behaviour, leading to the introduction of the restrictions;
- it was not possible for the Centre staff to supervise closely all the young people at peak times;

- the health and wellbeing of all Chelmsford residents was important to the Council and Riverside offered an extensive and inclusive range of facilities that reflected its commitment to encourage physical activity and improve health;
- the Council offered under-16s membership at competitive rates and the overall membership of the Centre had continue to grow since its opening;
- there had been many positive comments about the decision to restrict times of use by young people, including the view that behaviour in the gym had improved. A new system for people to feedback comments on the Centre was due to be introduced soon.

The Cabinet Member said that a review of the restriction would be carried out after six months and its results shared with councillors.

7.04pm to 7.19pm

## 6. **Cabinet Question Time**

### 6.1 **Question from Councillor R J Poulter to the Cabinet Member for Safer Chelmsford**

*The Council has announced that 'In respect of our climate and ecology emergency declared in July 2019 we have looked at areas where we can eliminate or reduce single use plastics within our organisation'. One of the areas identified is that the Council will no longer be providing plastic dog waste bags.*

*In view of the damage to health and the environment that dog waste causes and in view of the cessation of the supply of biodegradable dog waste bags, what advice does the Council have for its residents?*

The Cabinet Member replied that part of being a responsible dog owner was to pick up dog waste.

Whether a local authority provided dog bags for free should not be a factor in determining whether someone picked up dog faeces or not. Officers would enforce against any dog owner who they witnessed allowing their dogs to foul and not removing the faeces. In addition, the Council was not aware of any other nearby local authority that provided dog waste bags free to its residents.

The discontinuation of free dog waste bags was in response to the climate and ecological emergency as the provision of free plastic dog waste bags was incongruous with the Council's stance on single use plastic; it was not a statement on whether such bags should or should not be used by dog owners.

As a supplementary, Councillor Poulter questioned how using an alternative, if was another type of plastic bag, would help the environment, and said that the saving of £5,000 a year the Council expected from ending the issue of free bags was minimal. The Cabinet Member replied that dog waste did not go to landfill but was disposed of sustainably, and that the withdrawal of free bags was one of the many aspects of the Council's services that were being looked at in the light of the declared climate emergency.

## 6.2 Question from Councillor I Wright to the Leader of the Council

*Whilst accepting the instruction has been withdrawn, I must ask "Why the Leader of the Council, without any prior consultation or discussion - other than at the informal Mayoral Working Party - instructed Officers to advise members that prayers would no longer be held at the start of a Full Council meeting. It is discourteous to all sides of the Chamber to issue such an instruction without having allowed all members the opportunity to make comment and understand the reasons for changing the present long standing practice?"*

*I accept the constitution does not specifically cover this point but Councils have the right to hold prayers under the Local Government (Religious Observances) Act of 2015 though this does not oblige them to do so.*

*This Authority has now referred the issue to a special Governance Committee meeting for enquiry and it will be the only item on the agenda. This concerns me as the meeting will incur unnecessary expense to Council taxpayers as it will be held after normal office hours causing inconvenience to staff and members. This Council is committed to reducing the carbon footprint in the City but this additional meeting will force members to travel into Chelmsford and is counterproductive. Would the leader not consider seeking all members views by using the simple process of collating comments by e-mail with the results open to all. This would allow all members being able to contribute; save costs (including travel expenses) and reduce our carbon footprint.*

The Leader of the Council said that he had given no instruction to introduce new arrangements for prayers at Council meetings. He had raised the matter at the Mayoral Working Group for discussion as he was aware that a lot of councils had had or were having this debate about prayers at council meetings. This had arisen as a result of a desire to ensure that meetings were as inclusive as possible and were not discouraging people from participating.

There had been some confusion after the Working Group about how to take the issue forward, but the Leader said that he was happy simply to consult members on the future arrangements without referring the matter to Governance Committee, as currently proposed, if that was what they preferred. On being asked to indicate whether they were satisfied with that course of action, a clear majority of the Council was in favour. The Leader therefore suggested that members' opinions be obtained and reported to the Mayoral Working Group before a final decision was taken.

## 6.3 Question from Councillor I Wright to the Cabinet Member for Safer Chelmsford

*Can the Cabinet Member inform this Council what steps she intends to take to improve the safety of pedestrians in the City Centre from people unlawfully riding cycles and the increasing problem of (in the main young people) riding electric scooters often at high speed? These cycles and scooters are seen on a daily basis and make shopping especially hazardous to the elderly, those with a disability or children.*

The Cabinet Member said that whilst the Council was keen to encourage cycling as a sustainable form of transport, it was important that cyclists acted responsibly and considerately. Essex Police had conducted an awareness campaign in the High Street in 2019 about the danger of cycling in pedestrian areas and this had led, for a short time, to some improvement but it had not lasted.



The current traffic regulation orders did not make it clear that cycling in the High Street was prohibited, making enforcement difficult. Essex County Council would shortly be consulting on a Traffic Regulation Order that would, amongst other things, clearly prohibit cycling in the High Street between 9am and 6pm. This new Traffic Regulation Order combined with new cycling routes across the city centre would make enforcement of unlawful riding of cycles or scooters easier. Once the order was in force the Council in partnership with Essex County Council, Essex Police and the BID would promote awareness of the new order, the new cycling routes, and be able to enforce against unlawful and inappropriate cycling behaviour.

As a supplementary, Councillor Wright said that it was not acceptable for cyclists to ride in the High Street after 6pm as there were still large numbers of pedestrians at that time and he hoped that any traffic order would take that into account.

#### 6.4 Question from Councillor E Sampson to the Cabinet Member for Fairer Chelmsford

*Since the Homelessness Strategy and Affordable Housing working groups were established earlier this year, what if any changes have there been to levels of homelessness and the supply of affordable housing?*

Councillor S Goldman, replying in the absence of the Cabinet Member for Fairer Chelmsford, said that the Housing Service had made considerable efforts to reduce the incidence of homelessness over the last year and the Working Groups on Homelessness and Rough Sleeping and Affordable Housing had made a number of recommendations that would help continue to tackle the problem. He reported that in terms of changes to the levels of homelessness since the start of the financial year, there has been:

- a reduction in the level of households in temporary accommodation, from an average of 284 in the previous year to 252 in December 2019;
- an increase in the number of cases of successful prevention of homelessness over the same period, from 124 to 201 and successful cases of relief of homelessness from 46 to 68.
- 36 cases in the previous year were helped to access privately rented accommodation compared with 79 up to the end of 2019.
- in the previous year 177 households were accepted as homeless, by the end of December 2019 there had been 165, showing that whilst a greater number of cases have been helped to avoid the impact of homelessness, the aims of the Strategy are more important than ever to address what is a growing demand for our services.

7.19pm to 7.33pm

#### 7.1 Medium Term Financial Strategy

At its meeting on 15 October 2019, the Cabinet had considered a proposed financial strategy for 2020/21 to 2024/25 which it was intended would provide the framework for delivering a stable and sustainable financial basis for the achievement of the Council's strategic objectives and supporting the preparation of the budget for 2020/21. The report assessed the national and local context in which the Strategy had been produced and the risks which needed to be mitigated to protect the Council's financial position. It also provided a medium term financial forecast and

proposed funding for initial work to promote digital innovation in service delivery. The Cabinet had recommended that the Council approve the strategy.

During the debate on the report the view was expressed that the strategy lacked any detail on the savings necessary to bridge the budget deficit. Incurring debt charges would be unsustainable in the long term and an increase in borrowing would not be financially responsible. In response to those points, the Council was informed that the projections in the report had been updated since the Cabinet meeting and would be reported in the budget report to be considered by the Cabinet and Council in the coming weeks. It was the intention to borrow to invest in much needed assets and services and how the Council would do that would be made clear in the forthcoming budget.

**RESOLVED** that the Medium Term Financial Strategy for 2020/21 to 2024/25 detailed in Appendix 1 to the report to the meeting be approved.

*7.33pm to 7.42pm*

## 7.2 **Treasury Management Mid-Year Review**

The report to the meeting detailed the Treasury Management activities carried out so far in 2019/20, the extent to which they complied with the Strategy governing those activities, and whether any adjustments were needed to it.

The Cabinet on 19 November 2019 had recommended that the Council note the report but in doing so had recommended that the maximum permitted level of external debt should be reviewed annually. It had also been confirmed at that meeting that no monies from the Community Infrastructure Fund would be permanently appropriated for other means and would only be used for the short-term funding of capital expenditure.

**RESOLVED** that the Treasury Management activity to date in 2019/20 be noted and that an increase in the maximum permitted level of external debt from £25m to £45m be approved, that level to be reviewed annually.

*7.42pm to 7.45pm*

## 7.3. **Local Council Tax Scheme for 2020/21**

The Council considered a report on the ways in which the Local Council Tax Support Scheme could be operated in 2020/21 and the effect the various options would have on expenditure and collection rates. The Cabinet on 19 November 2019 had recommended that the existing support scheme be retained.

**RESOLVED** that the current year's Local Council Tax Support Scheme be adopted as the scheme for 2020/21.

*7.45pm to 7.47pm*

#### 7.4. **Homelessness and Rough Sleeper Strategy 2020-24**

Consultation had been carried out with partners on the draft Homelessness and Rough Sleeper Strategy 2020-24 and the final strategy was presented for the Council's comments, having been supported by the Cabinet at its meeting on 19 November 2019.

The Strategy was welcomed by those who spoke on it, with emphasis being placed on it being a living document from which an action plan would be developed by all parties that had a role in dealing with homelessness in Chelmsford. The lack of firm timescales at this stage for a number of the objectives would be addressed as part of the development of the action plan.

**RESOLVED** that the Homelessness and Rough Sleeper Strategy for 2020-24 detailed in Appendix 1 to the report to the meeting be approved.

*7.47pm to 7.53pm*

#### 8.1. **Review of the Members' Allowances Scheme**

The Council considered the recommendations of an Independent Remuneration Panel which had been established to carry out the latest periodic review of its scheme of members' allowances.

The Leader of the Council said that whilst supporting the majority of the Panel's recommendations, he was not in favour of its proposed changes to the Special Responsibility Allowances (SRAs) of Chairs and Vice Chairs of committees. He proposed an amendment to the recommendations that would, in large part, retain the existing levels of SRAs for those roles. The Council supported his suggested changes.

The Council was informed that a policy on parental leave for councillors in receipt of an SRA would be submitted to a future meeting of the Governance Committee.

**RESOLVED** that, subject to the following amendments, the recommendations of the Independent Remuneration Panel on the review of the Council's Members' Allowances Scheme set out in its report to the meeting be approved:

1. The Chairs of all committees continue to receive their current SRAs, i.e.:

- Planning Committee, Overview and Scrutiny Committee and Chelmsford Policy Board - £7,758 (33% of Leader's SRA)
- Licensing and Regulatory Committee - £5,577 (25%)
- Audit and Risk Committee and Governance Committee - £1,179 (5%)

2. The SRAs of the Vice Chairs of the Planning Committee (£3,879) and Overview and Scrutiny Committee (£2,937) be retained.

*7.53pm to 7.54pm*

## 8.2 **Appointment of Substitutes on Planning Committee**

The Leader of the Council reported that the Administration Group wished to appoint Councillor Smita Rajesh as one of its nominated substitutes for the Planning Committee.

**RESOLVED** that the appointment of Councillor Smita Rajesh as one of the Liberal Democrat's nominated substitutes for the Planning Committee be approved.

*7.54pm to 7.55pm*

## 8.3 **"Our Chelmsford, Our Plan"**

The Leader of the Council presented the proposed new Corporate Plan entitled "Our Chelmsford, Our Plan". Its key priorities were:

- Promote sustainable and environmentally responsible growth to stimulate a vibrant, balanced economy, a fairer society and provide more housing of all types
- Make Chelmsford a more attractive place, promoting its green credentials, ensuring communities are safe and creating a distinctive sense of place
- Encourage people to live well, promoting healthy, active lifestyles and reducing social isolation
- Bring people together, empowering local people and working in partnership to build community capacity, stronger communities and secure investment in the city

The meeting was informed that the aim was to deliver improved services to residents and businesses in the most sustainable and inclusive way by working with partners and stakeholders across the community.

**RESOLVED** that the Council's new Corporate Plan and key priorities "Our Chelmsford, Our Plan" be adopted.

*7.55pm to 8.03pm*

## 8.4 **Cabinet Deputies**

The Council was informed that Councillor Sampson had stepped down as a Cabinet Deputy and that Councillor Tron would be taking maternity leave from that role.

In response to a question from the leader of the largest opposition group, the Leader of the Council said that he would have no objection to that group appointing members to shadow the Cabinet Deputies at Cabinet meetings and being able to speak at those meetings.

**RESOLVED** that the changes to the appointment of Cabinet Deputies be noted.

*8.03pm to 8.06pm*

### 9.1 **Code of Conduct for Employees/Workers**

The Governance Committee on 6 November 2019 had reviewed the Code of Conduct for Employees and Workers and had proposed the following changes:

- Reference to new Values and Behaviour framework
- Revised wording on the consumption of drugs and alcohol
- Standard of dress, including the display of badges, insignia and inclusion of tattoo guidance
- Wording on disclosure of information to take account of GDPR
- An expanded section on equality, diversity and inclusion
- An expanded section on the awarding of contracts, including information on the anti-bribery and corruption policy
- Revised wording on outside work commitments, including paid and unpaid work
- Inclusion of the word health in the security and safety section

The revised Code, which formed Part 5.6 of the Council's Constitution, was recommended for adoption.

**RESOLVED** that the revised Code of Conduct for Employees and Workers submitted with the report to the meeting be approved and adopted.

*8.06pm to 8.08pm*

### 9.2 **Appointment of Independent Person**

The Governance Committee had recommended the appointment of a second Independent Person under the Localism Act 2011 to assist it in promoting and maintaining high standards of conduct by councillors and co-opted members and in the investigation of complaints.

**RESOLVED** that the appointment of Paula Mills as the Council's second independent person under the Localism Act 2011 be approved.

*8.08pm to 8.09pm*

### 10. **Notice of Motion – Firework Displays**

Pursuant to notice given in accordance with Council Rule 4.1.11, Councillor M Steel moved, and Councillor M Bracken seconded, a motion requesting that the Council use its influence to ensure that the sale of fireworks was more tightly controlled and displays better and more considerably conducted.

Like a number of councillors, Councillors Steel and Bracken had been contacted by residents in relation to an RSPCA initiative to reduce the impact of fireworks and sky lanterns on animals and had asked that the Council support a motion seeking measures which would help ensure people could enjoy fireworks responsibly whilst minimising the risk to animal welfare, horses, farm animals and wildlife and residents. In bringing forward the motion, both councillors believed that the City Council could play its part through direct action, working with others or by lobbying Government departments and retailers to help bring about the aims of the RSPCA campaign.

**RESOLVED that**

“The Council resolves to:

- Encourage all publicly organised firework displays within the Chelmsford City Council area to be advertised in advance of the event, so that residents can enjoy the celebrations and allow residents to take precautions for their animals and vulnerable people.
- Actively promote a public awareness campaign about the impact of fireworks on animal welfare and vulnerable people including the precautions that can be taken to mitigate risks.
- Encourage retailers to follow the lead of Sainsburys in withdrawing the sale of fireworks to the public
- Write to the UK Government urging them to introduce legislation the limit the maximum noise level of fireworks to 90dB for those sold to the public for private display.
- Encourage trading standards to enforce more rigorously the regulations of the selling of fireworks both in terms of age appropriateness, licencing and CE markings.
- Noting that CCC already ban the release of sky lanterns from council land, to write to UK Government urging them to consider banning sky lanterns in the UK in total.”

*8.09pm to 8.18pm*

**11. Notice of Motion – Provision of Online Petition Site**

Pursuant to notice given in accordance with Council Rule 4.1.11, Councillor W Daden moved, and Councillor R Hyland seconded, a motion that the Council provide an online system by which petitions could be submitted to it.

In moving the motion, Councillor Daden said for clarification that she was asking the Council to provide its own petitions site as part of its website. The Cabinet Member for Connected Chelmsford said that whilst she fully supported the ability of residents to submit e-petitions to the Council and welcomed their engagement by that means, she referred to the e-petitions site previously provided by the Council, which had never been used, and the presence of existing free sites for the creation of electronic petitions that were compliant with the Council's Petitions Scheme. She suggested that rather than decide Councillor Daden's motion at this meeting, more prominent information should be provided on the Council's website about how to start an e-petition and what information was needed to meet the requirements of the Petitions Scheme. She also proposed that the issue of electronic petitions be referred to Governance Committee for a fuller discussion.

Councillor Daden accepted the proposals and withdrew her motion in favour of them.

**RESOLVED** that:

1. the Governance Committee be requested to look at how best residents could engage with the Council through the submission of e-petitions and to consider whether any changes are required to the Petitions Scheme as a result of that review; and
2. in the meantime, clearer information be provided on the Council's website on how to start and submit an e-petition and the information that would be required for it to be accepted.

*8.18pm to 8.29pm*

12. **Notice of Motion – Fair Trade**

Pursuant to notice given in accordance with Council Rule 4.1.11, Councillor R J Moore moved, and Councillor S Goldman seconded, a motion that the Council reaffirm its commitment to the principles and standards of Fair Trade.

Those who spoke on the motion were in full agreement with it. It was suggested that it could be extended to include a commitment on the part of the Council to sign up to the Charter Against Modern Day Slavery. Members, however, felt that the full implications of doing that should be identified and discussed before a decision was taken.

**RESOLVED** that:

“Chelmsford City Council notes that 2019 marked 25 years since the Fairtrade Mark was launched in the UK, and that 2020 is Chelmsford's 15<sup>th</sup> year as a Fairtrade Town (now City).

Despite these achievements, exploitation remains rampant in global supply chains. More than 40 million people are trapped in modern slavery, including forced labour, and 152 million young people in child labour. Hundreds of millions more are earning less than a living income or wage.

Chelmsford City Council believes that Fairtrade and the wider Fair Trade movement has a significant contribution to make towards ending exploitation in global supply chains and achieving the Sustainable Development Goals (SDGs).

Chelmsford City Council therefore resolves to:

- Promote Fairtrade locally.
- Celebrate and incentivise businesses championing Fairtrade products in the local community.
- Review its procurement policy, including its catering offer, to ensure that Fairtrade produce is chosen wherever possible, and that Fair Trade considerations are included in any contracts going out to tender.”

*8.29pm to 8.40pm*

Exclusion of the Public

**RESOLVED** that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for item 13 on the grounds that it involves the likely disclosure of exempt information falling within paragraph 3 of Part 1 of the Schedule 12A to the Act (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

13. **Proposed Acquisition of Property in the City Centre**

*Public interest statement:* The public interest in not disclosing the content of this report outweighs the public interest in disclosing it on the grounds that any publicity about the negotiation of and terms for the of the property may affect the financial interests of the Council and, by extension, those of the residents of Chelmsford as well as the other parties involved in the acquisition and future development of the site. In particular, it would undermine the attainment of the best terms during the negotiations as other interested parties would be aware of the landowner's financial positions and intentions in advance.

The Council considered a report on the proposed acquisition of the freehold interest of an office building in Chelmsford. The Cabinet Member for Fairer Chelmsford described the background to the purchase and the reasons for recommending it, the main one being that the acquisition would safeguard the future use of the building for employment and avoid the possibility that it would be converted to residential use.

**RESOLVED** that:

1. the sum referred to in the report to the meeting for the acquisition of the property in question be added to the capital programme; and
2. the Director of Financial Services be authorised to conclude negotiations and acquire the freehold interest of the property under Section 120 of the Local Government Act 1972.

*8.29pm to 8.40pm*

The meeting closed at 8.40pm

Mayor



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TREASURY MANAGEMENT STRATEGY 2020/21

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1. On 28th January 2019 the Cabinet considered the attached report on the Treasury Management Strategy for 2020/21 and resolved as follows:

**RECOMMENDED TO THE COUNCIL** that it approve:

- i) the proposed Treasury Management Strategy for 2020/21 submitted as Appendix 1 of the report to the meeting; and
- ii) the proposed Treasury Management Indicators in Appendix 2

2. **RECOMMENDED TO THE COUNCIL**

That the recommendations of the Cabinet on the Treasury Management Strategy for 2020/21 be approved.



**CABINET**  
**28<sup>th</sup> January 2020**

AGENDA ITEM 8.1

<b>Subject:</b>	<b>TREASURY MANAGEMENT STRATEGY 2020/21</b>
<b>Report by:</b>	Cabinet Member for Fairer Chelmsford

**Enquiries contact:**

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**Purpose**

This report sets out the recommended approach together with the associated risks in managing the Council's cash investments in 2020/21.

**Options**

To agree or vary the proposals in the report.

**Recommendation**

That the Cabinet accepts the report as endorsed by the Audit Committee and recommends to Council that:

- i. the Treasury Strategy for 2020/21 is approved (**Appendix 1**)
- ii. the Treasury Management indicators for 2020/21 are approved (**Appendix 2**)

**Corporate Implications**

Legal:	If no proposal is made to Council the authority will be in breach of its statutory duties
Financial:	As detailed in the report
Potential impact on climate change and the environment	Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective

	way to bring about change in corporate behaviour on ethical issues. Further requirements from those identified above are not practical given the limited ability to directly influence any immediate change in the financial markets.
Contribution toward achieving a net zero carbon position by 2030	None
Personnel:	None
Risk Management:	The report identifies how risk to sums invested and interest rate risk will be managed.
Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out? Y/N)	None
Health and Safety:	None
IT:	None
Other:	None

**Consultees:**

Treasury Management Sub Committee

**Policies and Strategies:**

Capital and Investment Strategies

1.0 Background

- 1.1 The Council can expect to have cash to invest arising from its revenue and capital balances, and collection of Council Tax. This cash can be usefully invested to produce a return to help support services and Council Tax. The activities around the management of this cash are known as 'Treasury Management'.
- 1.2 The amount of cash the Council has to invest will decline as the Council funds its capital programme.
- 1.3 Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:  
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"
- 1.4 CIPFA produce a framework for managing treasury activities, called a 'Code'. Councils are legally required to have regard to this Code and members of CIPFA are expected to comply with its requirements. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the MHCLG Guidance.
- 1.5 The Council's investment priorities as required by Government regulations are in order of priority:
  - (a) the security of capital
  - (b) the liquidity of its investments; and when these are satisfied
  - (c) Yield.

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

1.6 Treasury Management is also the monitoring, planning and undertaking of borrowing. The Council may use borrowing to fund capital expenditure. There are effectively two types of borrowing;

- External, where the Council borrows from a bank, local authority or the Government with agreed repayment and interest terms. The Council's revenue budget is annually charged with interest for the loan and a charge is also made for principal debt repayment (**Minimum Revenue Provision**). It is important to note that MRP may assume capital expenditure is repaid over say 50 years but in cash terms for example a 5-year loan may have been agreed so new financing would need to be arranged at the end of this loan.
- Internal, where cash say from Community Infrastructure Levy (CIL) has been received by the Council but is not yet spent so it is 'borrowed' to fund the cash payments on capital expenditure. The Council still must charge its revenue budget MRP arising from the use of internally borrowed funds and will forgo the income it would have earned had the internally borrowed money been invested.

All borrowing and investment is undertaken by the Director of Finance and the role of members is to provide appropriate limits and scrutiny of the borrowing and investment.

1.7 Treasury Management regulations for local authorities require the Council to produce the following documentation:

- i) An overarching **Treasury Management Policy Statement**. This sets out the objectives of the Council's treasury management activities and was approved at February 2019 Council.
- ii) **Treasury Strategy (Appendix 1)**. This sets out the Council's approach to managing its investments for the year ahead.
- iii) **Treasury Management Practice Statements (TMPS)**. These are procedure notes, detailing how the Council will manage its treasury management risks. The Director of Finance is delegated to produce the TMPS; they do not require member approval and are therefore not reported formally. TMPs are reviewed regularly and updated as required.
- iv) **Yearly and Half Yearly Activity Reports**.

1.8 In 2018 changes were made to both the Prudential Code and the MHCLG investment guidance for local authorities. As such the Council is now required to prepare a Capital and Investment Strategies as overarching documents to support the prudent management of its capital expenditure, borrowing and investment activity. The Treasury Management Strategy now serves as a detailed supporting document to the Capital & Investment strategy and focuses on the management of investments and borrowing arising from the organisation's cashflows.

1.9 It has been previously reported (Capital & Investment Strategy 2019/20) that the Council was projecting a need to borrow to fund the capital programme in 2019/20. The capital programme is being partially funded by internal borrowing and this is forecast to continue into future years.

2. Audit and Risk Committee Review of Treasury Management Strategy

- 2.1 The Treasury Management Sub-committee of the Audit and Risk Committee has reviewed the contents of this report and any comments or changes recommended have been incorporated and the report has been updated for the implications of the budget proposals elsewhere on this agenda.

3. Executive summary of Proposed Investment Strategy

- 3.1 The key requirements operationally for the Council are summarised in paragraph 3.2, with a more detailed version in **Appendix 1**.

3.2 **Summary of Treasury Strategy for 2020/21 (full details Appendix 1)**

- 1) All Council investments will be made in UK sterling.
- 2) The Council expects to earn around 0.75-0.9% on its cash investments in 2020/21 and 4.1% from the CCLA property fund. Should Pooled funds be used they can be expected to achieve yields of around 3%.
- 3) The Council's cash flow and investment balances will be lower in 2020/21. The largest element of Council cash holdings will come from unspent CIL funds and Revenue Reserves.
- 4) There are no changes proposed to the investment criteria compared to the 2019/20 strategy. The Council investments will be managed by the Director of Finance in line with the Counter party criteria set out in **Appendix 1** (paragraph 4.15). The criteria set out in the report allow investment in:
  - Enhanced Money Market Funds
  - Money Market Funds (MMF)
  - UK Public bodies
  - Unsecured Bank investments
  - Unsecured Building Society Investments
  - Unsecured Non-UK Banks investments
  - Unsecured Registered Social Landlord Loans
  - Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds
  - Potential to undertake unsecured Challenger bank investments
  - Multi asset funds Bond and property funds

Each investment has a maximum monetary investment limit in place, identified in **Appendix 1** Paragraph 4.15. The Council has appointed Arlingclose to advise on Treasury matters including providing advice on the investment criteria used.

- 5) The Council as part of the 2019/20 budget undertook funding of its capital programme from internal borrowing and this is forecast to continue. The use of internal borrowing reduces the sums available to invest. The Council does within the strategy provide enough flexibility to enable internal borrowing to be switched to external loans if the financial case arises, so external borrowing limits will be set to that end.

#### 4. Conclusion

- 4.1 The Council's investment strategy prioritises the security and liquidity of the Council's financial assets over yield.
- 4.2 The Council's methods for investment and selecting counter party do not remove all risk of losses but balance the need to make an appropriate return within reasonable risk parameters.
- 4.3 The Council's borrowing to fund its capital programme is planned to be internalised, but the strategy permits the switching to external loans should the financial case arise.

#### Background Papers

None

#### Appendices

- 1) Treasury Management Strategy
- 2) Treasury Management Indicators

## **Appendix 1 - Treasury Management Strategy 2020/21**

### **1. Introduction**

- 1.1 Chelmsford City Council has adopted and complies with both the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes and the Ministry of Housing, Communities and Local Government's Guidance on Local Government Investments.
- 1.2 Both the Code and MHCLG regulations require the Authority to prepare and authorise a Treasury Management Strategy prior to the start of each financial year. This report fulfils the Council's legal requirement under the Local Government Act 2003.
- 1.3 Chelmsford City Council has invested substantial sums of money and is therefore exposed to a series of financial risks including the loss of invested funds. Risk also comes from possible changes in interest rates affecting investment income or the cost of any external borrowings.
- 1.4 This strategy will set out how the Council monitors and manages the financial risks arising from its treasury management operations.
- 1.5 It is important to note that the borrowing of monies purely to invest or lend on to make a return is unlawful and this Council will not engage in such activity.
- 1.6 In the event of major changes to the external or internal context in which this strategy has been set, it may be necessary for the Council to revise its strategy during the year.
- 1.7 The CIPFA Prudential code requires authorities to publish an overarching Capital Strategy which considers capital expenditure, treasury management, investment strategy and various other factors.
- 1.8 In addition, the MHCLG guidance on borrowing and investments requires authorities to consider both financial and non-financial assets held for the generation of profit in a new Investment Strategy.
- 1.9 This Treasury Management Strategy will focus solely on investments arising from the organisation's cashflows and debt management activity and matters of borrowing. Non-treasury investments will be covered separately under the Capital Strategy. Prudential indicators will now be presented within the capital strategy and this report will instead put forward separate treasury management indicators.

### **2. External Context**

- 2.1 The Council's treasury management strategy operates in a macroeconomic environment which can have a significant impact on the Council's treasury operations in terms of inflation, interest rate and counterparty risks.

## **The economic environment and interest rate forecast**

- 2.2 Arlingclose, the Council's treasury advisors, forecast that interest rates are likely to remain at current levels until at least 2022. The risks to this forecast are deemed to be significantly weighted to the downside.
- 2.3 The key assumptions behind the forecast are:
- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
  - Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
  - UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggests falling household and business confidence. Both main political party have promised substantial fiscal easing, which should help support growth.
  - The weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
  - Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.

## **Credit Outlook and counterparty risk**

- 2.4 Over recent years the Council has reduced the amount of unsecured bank deposits it holds in reaction to the "bail in" risk arising from reform to the banking sector. Under "bail in" provisions, investors would face losses to their deposits and share-holdings in order to recapitalise a bank before any Government bailout would occur.
- 2.5 Public Bodies provide much less risk as investment counterparty but a balance between risk and return does allow the use of other types of investment counter party. The Council should where possible continue to spread investments over different organisations and different investment categories (property, pooled funds, public bodies, etc) to provide a satisfactory balance of security of capital and return.
- 2.6 An economic slowdown will impact on the capital value of pooled funds and property investments. However, a balanced portfolio and ability to look beyond temporary price fluctuations could enable the effective use of these types of investment to generate a level of income/yield which protects against sub-inflation levels of return.
- 2.7 Banks and building societies may be financially weakened by an economic slowdown. Council credit criteria should therefore be set at a sufficient level to identify the counter party who are less at risk of suffering materially during such a slowdown; additionally the criteria must allow identification of enough active counter party to enable spread of investment and risk.



### 3. Local Context

- 3.1 At the end of November 2019, the Council held £60m of investments. These investments arise from balances (including unspent CIL) and reserves, as well as income received in advance of expenditure. The investments provide the Council with an income stream to support revenue expenditure.
- 3.2 A factor in setting the current individual limit of £3m per financial institution was it represented some 5% of total funds, clearly as investment balances fall the £3m represents a greater percentage of total funds, so investments become less spread proportionally if the £3m limit is kept. However, reducing the £3m limit would reduce the number of institutions willing to take Council deposits as the investment is judged too small to be economic for large institutions. The strategy must therefore balance these factors and for 2020/21 has retained the £3m limit.
- 3.3 The duration that an investment is made for impacts on the level of risk to capital invested. The longer the investment the more risk of some unexpected change occurring to the financial strength of the deposit taker. Perhaps, more importantly the Council can only invest for durations that enables Council liquidity to be managed effectively. To reduce these risks limits can be placed on the length of investments.
- 3.4 The Council's current and projected year end levels of investments are shown in the table below. It should be noted that year end tends to be the lowest point in the year for the Council's cash balances. This is because most residents pay their Council Tax over 10 instalments, but the Council pays these out to central government and other precepting authorities on a monthly basis; therefore, significant net cash outflows occur in February and March each year. The table below can be considered worse case scenarios given cashflow balances have historically turned out to be higher than projected (reflecting the difficulty of making such projections). The forecast reflects draft budget information.

	November 2019 £m	31 March 2020 £m	31 March 2021 £m	31 March 2022 £m
Investments	60	42	15	18

- 3.5 Community Infrastructure Levy contributions (CIL) and Revenue Reserves will continue to support the Council's average cash balance in 2020/21 but the forecast decline in cash balance reflects the use of internal borrowing. Should the Council identify an immediate need to use the unspent CIL balance (currently some £20m) then the cash balance will decline further, or external borrowing may be required.

### 4 Investment Strategy 2020/21

- 4.1 The Council's investment strategy will prioritise its investment objectives in the following order:
- Security of assets – investing in counterparty only where the risks of incurring a capital loss through default and the risks of late payment of principal and interest are low
  - Liquidity – Ensuring that the authority can access enough cash to meet its obligations with appropriate notice

- Yield – subject to the management of risks associated with security and liquidity of assets, the Council will seek to maximise the yield from its investment portfolio

This is a prudent approach in line with CIPFA and MHCLG guidance.

4.2 The Council use Credit Rating and Arlingclose's recommendations to determine suitable Counter party. Arlingclose's approach is not based on a rigid model but on an assessment of a range of measures that require a final human judgement of the overall risk. The assessments include the following; credit ratings, the likelihood of UK or another Government support, market information (e.g. share price or Credit Default Swap), collateral offered by the Counter Party, types of activity undertaken by the institution and other external advice. The Counter Party recommended in this report reflect discussions by officers with Arlingclose, the Cabinet Member for Fairer Chelmsford and the Treasury Management Sub-committee. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

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

- Enhanced Money Market Funds & Money Market Funds (MMF)
- UK Public bodies
- Unsecured Bank Investments
- Unsecured Building Society Investments
- Unsecured Non-UK Banks Investments
- Unsecured Registered Social Landlord Loans
- Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds
- Potential to undertake unsecured Challenger bank investments
- Multi asset funds Bond and property funds

4.4 **Enhanced Money Market and Money Market Funds.** The Council has access to enhanced money market funds (AAA rated) which offer a rate of return (0.8-0.95%) but require 2 – 5 day notice to withdraw funds.

The Council invests short term cash in several AAA rated money market funds. These funds provide a modest rate of interest around 0.75% at November 2019 and most importantly allow same day access to funds. These funds spread the Council's investment over many financial institutions, so reducing risk. Historically the funds have proved very safe.

4.5 **UK Public Bodies.** Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts as these are all investments with the UK Central Government. These are the safest possible form of UK investment, so the Council will place no limit on the amount that can be invested.

Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans). These are theoretically as safe as lending to Government, but what would happen should a Local Authority go bankrupt has never been tested in law. It is therefore prudent to place some limit on investments with each local authority but recognising this type of investment is much safer than most alternatives. Arlingclose offer some guidance on risks of each local authority but the data is based on snap shot year end accounts as only a few authorities can afford the cost of ratings by credit agencies.

4.6 **Unsecured UK bank investments.** The changes to UK Bank regulation from the adoption of a "bail-in" approach to recapitalising banks and the move to ringfencing of

UK bank retail operations has increased the amount that could be lost in the event of a bank failure. With the completion of ringfencing activities by major banks to protect retail investors from investment banking losses, different banks have placed local authority depositors in either the retail or investment banking divisions. It should be noted that the credit scores for the banks with which the Council operates have either remained the same or improved as a result of ringfencing. The Council feels that it is still prudent to invest with banks subject first to credit rating criteria but considering the advice supplied by Arlingclose.

- 4.7 **Unsecured building society investments.** The Council's treasury strategy takes a different, more cautious approach to building societies than that recommended by Arlingclose, who undertake their own analysis to identify building societies that they believe have good financial characteristics. The Council instead requires that building societies have a long-term credit rating of at least A-.
- 4.8 **Unsecured Non-UK bank investments.** Arlingclose take a different approach to investment with non-UK banks to UK banks. This reflects the different risks and ownership structures that affect the security of the investment. The Council first uses credit rating information to select appropriate non-UK banks and then uses Arlingclose advice to make investment decisions. The Council uses credit rating of AA- for selecting investments with non-UK banks of up to 364 days but over 100 days and A- for investments of up to 100 days.
- 4.9 **Registered Social Landlord (RSL) Loans.** The Council can lend to RSLs in the pursuit of treasury management objectives but must treat loans made for policy reasons as capital expenditure. The option to lend for Treasury purposes has been on the Council's counter party list for several years but there has not been a suitable opportunity.
- 4.10 **Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds.** These are all different investment products but have the highest levels of credit rating. They are either backed by a pool of guaranteed bank assets or UK and/or foreign Governments. The Council takes advice from Arlingclose before undertaking any of these investments, so an investigation of the individual strength of each investment has been determined. They are rarely used by the Council.
- 4.11 **Multi-Asset, Bond and Property Funds.** These potentially offer the Council income and capital growth of the sum invested. There are several types of fund including property funds, bond funds, equity funds and mixed asset funds. Funds seek to reduce risk by building a pool of investments and as such are considerably safer than an investment of comparable size in a specific single asset. However, any fund exposes the Council to market price volatility. Officers will carefully consider any investment opportunities and always keep any ownership under review. A review of the risks and benefits of using Funds was made in the summer of 2019 and which concluded that Multi-asset, Bond and Property funds provide a suitable method to invest Council funds. At the time of drafting this report the Council has an investment of over £6.5m in the CCLA property fund and the Director of Finance is considering making investments in Multi-Asset and Bond funds, this decision is pending determination of the funding needs of the Council for its future capital programme. No additional Council funds will be placed with the CCLA property fund.
- 4.12 **Challenger Banks.** As part of the Government's policy to reduce the size of banks and to encourage competition, new 'challenger banks' are appearing in the UK banking market. Many of these challenger banks are unrated but do have high levels of capital buffers. There has been insufficient evidence to demonstrate during 2019/20 that investments would be appropriately secure. However, it is recommended that the

Treasury Management Sub-committee reviews any new evidence on these challenger banks and if satisfied that they provide sufficient Security, Liquidity and Return, that up to £3m could be invested by the Council.

4.13 Durations allowed for each investment type are set out below in paragraph 4.15 and reflect a judgement on the level of risk and the need to keep investment size large enough to make it attractive to a counterparty.

4.14 **Appendix 2** contains the Treasury indicators which set key measures to limit and report exposure on security, liquidity and yield.

4.15 **Counterparty – Duration and Monetary Limits**

The Council is required by law to identify the proposed investment criteria under the categories Specified and Non-Specified, as shown below:

<b>Specified Investments</b> -investments of duration less than 365 days and denominated in sterling. -investments made to UK Government, UK local authorities or institutions of high credit quality. - high credit quality defined as a minimum A- by Fitch or the equivalent score of the other main rating bodies.				
<b>Specified Counterparty</b>	<b>Minimum Credit Criteria</b>	<b>Max. Limit £m</b>	<b>Max. maturity period</b>	<b>Change from Prev. approach</b>
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5-day notice	None
Money Market Funds (per fund)	AAA	£6m each fund	Instant Access	None
Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts	UK Government	No Limit	364 days	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m each authority	364 days	Limit reduced to £10m each
UK Banks	A-	£3m for each group	364 days	None
Building Societies	A-	£3m for each group	364 days	None
Non-UK Banks	AA-	£3m each group	364 days	None
Non-UK Banks	A-	£3m each group	100 days	None

Registered Social Landlord Loans	A-	£3m each group	364 days	None
Covered Bonds	AA-	£6m	364 days	None
Reverse Repurchase Agreements (each agreement)	AA-	£6m	364 days	None
Supranational Bonds (per institution)	AAA	£6m	364 days	None

#### **Non-specified Investments**

These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk

<b>Counterparty</b>	<b>Min. Credit Criteria</b>	<b>Max. Limit £m</b>	<b>Max. maturity period</b>	<b>Change from existing approach</b>
CCLA Local Authority Property Fund	Unrated	£8m *	n/a	None
Multi-Asset or Bond funds	Unrated	£5m per fund	n/a	None
Covered Bonds (per bond)	AA-	£6m	3 years	None
Supranational Bonds (per each institution)	AAA	£6m	3 years	None
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m each authority	5 years	Reduced limit to £10m
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m		

The £8m limit placed on the CCLA property fund only reflects headroom for capital growth for the original sum invested. No additional investments over the original sum invested will be made in the property fund.

## 5. Borrowing Strategy

- 5.1 The Council has a need to fund its capital plans from borrowing. This section of the report sets out the Council's approach to borrowing externally should it become necessary for reasons such as additions to the authorised capital programme, for short term liquidity purposes or it simply becomes the most effective method of funding.
- 5.2 The Council has enough cash to fund its expenditure needs. This cash is not capital resource so though expenditure can be met from it, the Council in its accounts needs to reflect capital expenditure is being financed from internal borrowing of non-capital cash. The cash internally borrowed would have been invested at around 1% (best case in funds is 3%), given that rate of interest on external borrowing would be above 1% and long-term interest rates are not expected to rise for a number of years, it is more cost effective to run down investments. This achieves benefit for the taxpayer by investing low yielding cash into capital expenditure. However, the Director of Finance will monitor external rates of borrowing and the sustainability of using internal borrowing to determine if it becomes more beneficial to externalise the debt. The authorised and operational borrowing limits for external debt determine the amount the Director of Finance can externally borrow, they are contained in **Appendix 2**. The Authorised (maximum borrowing limit) will be set to reflect the maximum overall need to fund capital expenditure set out in the Capital Strategy but in practice the plan is to use internal borrowing.
- 5.3 When the Authority needs to borrow it will seek to strike a balance between minimising interest costs and securing certainty of borrowing costs. Examples of where the Council can seek to borrow funds from are:
- Public Works Loan Board (PWLB)
  - Other UK Local Authorities
  - Any institution which meets the Council's investment criteria
  - UK public or private sector pension funds (Excluding the Essex Local Authority Pension Fund)
- 5.4 Officers may decide to undertake very short term borrowing for liquidity purposes.
- 5.5 In addition to borrowing via loans, other debt financing models may be used to finance the capital programme where this represents best value for the authority. These forms of debt are included in the overall borrowing limits. Such debt finance models include:
- Sale and leaseback arrangements
  - Hire purchase arrangements

## 6. Role of the Treasury management sub-committee

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

## Treasury Management Performance Indicators

At 30/11/2019

### Security

	Month ending	Projection year ending	Target for year
	30/11/2019	31/03/2020	2019/20
Require -Only to invest with approved counterparties	No breach	No breach	No breach
Require- Only to invest up to approved limits	One breach	One breach	No breach
Target Bail in exposure to not exceed portfolio*	43.50%	50.00%	50.00%

\* The method for this calculation was changed in the Mid Year Treasury report to Council

Target for year	Target for year	Target for year
2020/21	2021/22	2022/23
No breach	No breach	No breach
No breach	No breach	No breach
50.00%	50.00%	50.00%

### Liquidity

	Month ending	Projection year ending	Target for year
	30/11/2019	31/03/2019	2019/20
Target - To have minimum amount maturing in 100 days or less	£ 40,180,000	£ 30,000,000	£ 10,000,000
Require - Investments maturing in more than 365 days not to exceed target	£ -	£ -	£ 18,000,000

Target for year	Target for year	Target for year
2020/21	2021/22	2022/23
£ 8,000,000	£ 8,000,000	£ 8,000,000
£ 10,000,000	£ 10,000,000	£ 10,000,000

	Actual Borrowing Month ending	Borrowing projection year ending	Target for year
	30/11/2019	31/03/2019	2019/20
Requirement -Authorised Limit of Borrowing not to exceed	£ Nil	£ Nil	£ 45,000,000
Target - Operational Boundary of Borrowing (excluding finance leases)	£ Nil	£ Nil	£ 25,000,000

Target for year	Target for year	Target for year
2020/21	2021/22	2022/23
£ 45,000,000	£ 45,000,000	£ 45,000,000
£ 25,000,000	£ 25,000,000	£ 25,000,000

### Yield

	Month ending	Projection year ending
	30/11/2019	31/03/2019
Average yield on liquid portfolio	0.72%	0.72%
3 month Libid benchmark	0.63%	0.63%
Average yield on strategic portfolio	4.14%	4.14%
Average yield on total portfolio	1.20%	1.20%
1 year Libid benchmark	0.85%	0.85%

Projected benchmarks	Projected benchmarks	Projected benchmarks
2020/21	2021/22	2022/23
0.75%	0.75%	0.75%
0.85%	0.85%	0.85%

APPENDIX 2

## CAPITAL AND INVESTMENT STRATEGY 2020/21

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1. On 28<sup>th</sup> January 2020 the Cabinet considered the attached report on the new Capital and Investment Strategy for 2020/21 and resolved as follows:

**“RECOMMENDED TO THE COUNCIL** that the Capital and Investment Strategy for 2020/21 set out in the report to the meeting be approved.”

2. **RECOMMENDED TO THE COUNCIL**

That the recommendations of the Cabinet on the Capital and Investment Strategy for 2020/21 be approved.



# Capital & Investment Strategy 2020/21

## Introduction

This Capital Strategy and Investment Strategy are statutory requirements for 2020/21 which have been combined in this single report. They give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how the associated risks are managed and the implications for the future financial sustainability of the Council.

There are a number of supporting documents to this Capital and Investment Strategy, including:

- Accounting Policies (e.g. capitalisation of expenditure)
- Treasury Management Strategy Report to Council
- Budget report 2020/21
- Medium Term Financial Strategy
- Asset Management plan

The document ensures compliance with the requirements of the CIPFA Prudential Code and Ministry of Housing, Communities and Local Government (MHCLG) guidance on local authority investment. The CIPFA code and MHCLG guidance recognise that organisations may make investments for reasons outside of treasury management objectives and these investments may prioritise other objectives above the security of capital. Councils are required in a Capital & Investment Strategy to state the objectives of the different types of investment and identify the management of risks associated to them.

## Investment by Capital Expenditure

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

Capital Expenditure will be used to support the delivery of the Our Chelmsford, Our Plan.

Local authorities are required in the Capital Strategy to categorise their planned expenditure as below

### **1. Capital Investment in Council Services - Capital Schemes and Replacement Programme**

Replacement Programme is expenditure required to maintain existing levels of service provision, including Digital hardware, and in some cases software, vehicles and plant and it also includes annual grants and improvement loans which are budgeted for annually.

Capital Schemes items are usually building works such as the Riverside Redevelopment but can be anything which does not meet the criteria of replacement, including regeneration schemes.

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

In determining the viability of bids capital bids, must include:

- details of the intended outcomes and potential running costs.
- statement of the risks of undertaking the scheme and how these will be managed.
- details of consultations undertaken at arriving at the proposal and any potential alternatives.
- identification of additional annual contribution to Asset Replacement Reserves required to fund future replacements.

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

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

## 2. Loans and Investments for Service Purposes

These are investments, including making loans to and buying shares in local service providers, local small businesses to promote economic growth and for some authorities loans to subsidiary companies that provide services. In light of the public service objective, Councils can take moderate risk with the principal invested but still plan for such investments to return the sum invested.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans have been set as follows, including an allowance for new loans if required

Category of borrower	31.3.2019 actual			2020/21
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Chelmsford City Football Club	£0.145m	£0.122m	£0.023m	£0.145m
BID Company	£0.045m	Nil	£0.045m	£0.045m
Maximum New loans if required.	Nil	Nil	Nil	£10.000m
<b>TOTAL LIMIT</b>	<b>£0.190m</b>	<b>£0.122m</b>	<b>£0.068m</b>	<b>£10.190m</b>

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

Before entering and whilst holding loans or shares, the Council will monitor the financial position of the recipient through the use of (but not limited to) financial reporting tools, Credit ratings where appropriate, published financial information (such as annual accounts), press articles and by maintaining an open dialogue.

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. However, the Authority makes every reasonable effort to

collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Governance: Service managers bid annually in September in the same way as for Capital Projects and Replacement Programme.

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

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

### 3. Commercial Activities

The Medium Term Financial Strategy recognises the need to acquire assets that produce revenue streams. As financial return is the main objective, the Council accepts higher risk on commercial investment than with other capital projects or treasury investments. The types of investment are for yield rather than service objective e.g. property purchases and developing Council land. This type of investment may also involve making loans to subsidiaries or partners, but the aim is achieving profit.

The Council's commercial property investments are summarised below.

	31.3.2019 actual				31.3.2020 expected			
	Acquisitions in Year	Disposals in year	Gains or (losses)	Value in accounts	Acquisitions in Year	Disposals in year	Gains or (losses)	Value in accounts
Office	£8.76m		£0.18m	£17.13m	£3.60m		Nil	£20.73m
Other		-£0.38m	-£0.16m	£8.55m		-£0.90m	Nil	£7.65m
Retail			-£2.15m	£53.56m		-£3.10m	Nil	£50.46m
<b>TOTAL</b>	<b>£8.76m</b>	<b>-£0.38m</b>	<b>-£2.13m</b>	<b>£79.24m</b>	<b>£3.60m</b>	<b>-£4.00m</b>	<b>Nil</b>	<b>£78.84m</b>

The Council does purchase commercial property for the partial or sole aim of generating profit. These commercial investments are as a matter of Council policy to be within the Council's geographic borders. The principal risk of such investments includes:

- Investments funded from borrowing expose the Council to risk that the income generation from schemes is less than the cost of repaying the borrowing.
- Such investments must be proportional and do not concentrate risk in one particular sector or activity.
- Capital appreciation may not occur, and the value of the investment could fall in real terms.

Governance: The purchase of commercial property usually requires the Council to act rapidly therefore decisions on commercial property investments are likely to be made by the Chief Executive or Director of Finance after consultation with the Leader. All decisions will have to be within standard financial rules such as an appropriate budget being available.

These types of capital investment need rigorous risk and performance management. New Investments must under-go appropriate due-diligence including independent valuations, financial evaluations and consideration of spread of risk over different sectors/asset classes.

The Council will monitor the value of its investment property and any impact on the security of the income. During 2020/21, a formal process for the scrutiny of commercial & investment property will be developed and taken through appropriate approval channels.

In order that commercial investments remain proportionate to the size of the authority, these are subject to overall maximum investment limits which are detailed in the section Proportionality & Revenue Budget Implications. Should returns not meet planned requirements then processes will be the same as that for dealing with other budget variations which may include the short-term use of reserves to support service expenditure.

Compared to other forms of investment, and depending on the prevailing market conditions, investment in property can take time to sell. Therefore, the Council undertakes these investments on the basis that they are medium to long term investments, whilst ensuring that its Treasury Management procedures enable sufficient funds to be available at short notice through more liquid investments or via short term borrowing, to manage essential cash flow requirements.

## **Funding the Costs of Capital Expenditure**

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

### Methods of Capital Financing

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

- Sales of Assets (Capital Receipts): Any disposal of property or equipment over £10,000 in value is a capital receipt. These can only be spent on other capital items.
- Leasing: This is where we can use an asset in exchange for making a series of revenue payments over several years. From 2020/21 all leasing will be counted as a debt. However, leasing differs to traditional debt as often the leasing company can retain legal ownership of the asset and is able to obtain capital allowances to reduce the cost to the Council.
- Borrowing (excluding leasing):
  - The Council can borrow externally from other local authorities, the Government or the private sector.
  - Borrowing can also be carried out internally, where cash balances are "borrowed" to fund capital expenditure.

If the Council undertakes any form of internal or external borrowing, then payments must be made to cover future or current principal debt repayments (Minimum Revenue Provision (MRP)). The method to calculate MRP is set out in the section on Borrowing Strategy. Councils can choose to pay off debt from surplus capital resources, such as capital receipts, at any time.

- Revenue contributions to capital: The Council can use revenue budgets to fund capital expenditure.
- Lottery or Government grants; The Council can often bid for grants from external organisations towards specific works.
- Section 106 agreements and CIL; If a new development is undertaken in the City, the Council is legally entitled to ask for assets or money to mitigate the impact of the development.

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

### **Cost of the Capital Programme**

In 2020/21 budget, the Council is planning capital expenditure as summarised below:

	<b>2018/19 Actual</b>	<b>2019/20 Forecast</b>	<b>2020/21 Budget</b>	<b>2021/22 Budget</b>	<b>2022/23 Budget</b>
Replacement Programme	£2.732m	£3.353m	<b>£4.879m</b>	£4.161m	£1.491m
Capital Projects	£35.713m	£18.377m	<b>£11.843m</b>	£0.270m	£0.000m
Loans and Investments for Service Purposes					
Commercial Activities	£9.435m	£3.930m	<b>£0.900m</b>		
Unapproved potential new capital projects		£0.819m	<b>£13.840m</b>	£21.954m	£8.214m
Unapproved potential new commercial activities			<b>£10.000m</b>	£1.220m	£0.500m
<b>TOTAL</b>	<b>£47.880m</b>	<b>£26.479m</b>	<b>£41.462m</b>	<b>£27.605m</b>	<b>£10.205m</b>

Details of the programme can be found in the Budget Report 2020/21 section 4 table 5 and section 10, elsewhere on this agenda. The projected programme above includes provisions for Commercial Activities and unapproved new commercial activities and include; construction of Galleywood Hall Industrial units, the purchase of an office site, High Chelmer Roof Repairs, refurbishments of commercially leased properties and the potential purchase of commercial property up to £10m in value.

Financing of the programme is currently planned as

	<b>2018/19 actual</b>	<b>2019/20 forecast</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>
Capital Receipts	£27.572m	£5.792m	<b>£6.250m</b>	£7.693m	£1.200m
Grants and Contributions	£16.049m	£5.325m	<b>£3.588m</b>	£14.879m	£0.200m
Revenue Contributions	£4.259m	£6.189m	<b>£4.824m</b>	£3.892m	£2.908m
Internal Borrowing		£8.974m	<b>£26.520m</b>	£0.000m	£5.824m
Finance Leases		£0.199m	<b>£0.280m</b>	£1.141m	£0.073m
<b>TOTAL</b>	<b>£47.880m</b>	<b>£26.479m</b>	<b>£41.462m</b>	<b>£27.605m</b>	<b>£10.205m</b>

### **Treasury Management Investment**

The Council has cash to invest arising from its revenue activities, capital balances (including Community Infrastructure Levy)) and the collection of Council Tax and NDR. This cash can be usefully

invested to produce a return to help support services. The activities around the management of this cash are known as Treasury Management. Treasury activity of the Council will achieve in order of priority: security of capital, liquidity and return. An appropriate balance of all three will be sought and that balance is determined by the Council in its Treasury Strategy. The priority will be to always have sufficient cash or borrowing facilities in place to enable Council activities to continue.

The nature of capital schemes is that they represent large cash investments, and it follows that there is strong inter-relationship between capital planning and treasury management.

Given that many Local Authorities fund some capital expenditure through borrowing, Treasury Management is also concerned with the management of short and long-term debt.

Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

CIPFA recommends that an organisations adopt the following treasury management policy statement to define the policies and objectives of its treasury management activities:

1 This organisation defines its treasury management activities as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2 This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3 This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

For treasury investments the Council is required to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities, short term highly secure pooled investments or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer (core cash) could perhaps be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation, as determined in the Council's Treasury Management Strategy.

*Estimates of Cash Balances held in investments in £millions*

Year End	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
Near-term investments	£42m	£35m	£8m	£11m	£2m
Longer-term investments	£7m	£7m	£7m	£7m	£7m
<b>TOTAL</b>	<b>£49m</b>	<b>£42m</b>	<b>£15m</b>	<b>£18m</b>	<b>£9m</b>
<b>Average Balance for Year</b>	<b>£77m</b>	<b>£58m</b>	<b>£35m</b>	<b>£24m</b>	<b>£22m</b>

## Borrowing strategy

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

### *Estimates of Gross Debt and the Capital Financing Requirement in £ millions*

	<b>31.3.2019 actual</b>	<b>31.3.2020 forecast</b>	<b>31.3.2021 budget</b>	<b>31.3.2022 budget</b>	<b>31.3.2023 budget</b>
Leasing (Debt)	£0.000m	£0.159m	<b>£1.093m</b>	£1.543m	£1.110m
External Borrowing	£0.000m	£0.000m	<b>£0.000m</b>	£0.000m	£0.000m
<b>Total "External Borrowings"</b>	£0.000m	£0.159m	<b>£1.093m</b>	£1.543m	£1.110m
<b>Total Capital Financing Requirement (CFR)</b>	£0.000m	£9.133m	<b>£36.507m</b>	£35.124m	£40.504m
Internal Borrowing (makes up the difference between CFR and external borrowings)	£0.000m	£8.974m	<b>£35.414m</b>	£33.581m	£39.394m

The Government guidance identifies that local authorities should not borrow more than, or in advance of their needs purely in order to profit from investment of extra sums borrowed. It also makes clear that this extends to borrowing taken on to finance the acquisition of property or other forms of non-financial assets. Local authorities can acquire financial or non-financial assets from capitals receipts but should not repurpose receipts allocated to the acquisition of assets that contribute to service delivery to fund the purchase of investments, solely to avoid the requirements against borrowing in advance of need. However, the guidance does allow for local authorities to disregard this provision of borrowing to fund investment activity with appropriate explanations contained in the Capital and Investment Strategy. The City Council will undertake borrowing to finance commercial property where it meets other strategic requirements such as economic regeneration or supporting Small & Medium enterprises for example and also to profit from the sums borrowed but only after undertaking robust due diligence and review of risk (including an assessment of proportionality of the investment to reflect the scale of the Council's operations)

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

*MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis. Any MRP on purchases of freehold land will be charged over a period of 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. For assets acquired under finance leases the principal repayment inherent in the lease will be used as the basis for MRP in respect of those assets. This policy does not prevent the Council from making early or one off repayments of debt from Capital receipts or from revenue provisions.*

Planned repayments of debt are from

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
MRP	Nil	Nil	£0.080m	£0.356m	£0.367m
Finance Leasing MRP	Nil	£0.040m	£0.463m	£0.691m	£0.506m
Capital Receipts	Nil	Nil	Nil	Nil	Nil

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

*Authorised limit and operational boundary for external debt in £m*

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit - external borrowing	£10m	£35m	£35m	£35m
Authorised limit - leases	£10m	£10m	£10m	£10m
Authorised limit - total external debt	£20m	£45m	£45m	£45m
Operational boundary - external borrowing	Nil	£25m	£25m	£25m
Operational boundary - leases	£0.00m	£0.16m	£1.09m	£1.54m
Operational boundary - total external debt	£0.00m	£25.16m	£26.09m	£26.54m

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

### **Sustainability - Capital Funding**

The Council has for over 10 years made annual revenue contributions to the Asset Replacement Reserve (ARR) which in turn are used to fund capital expenditure. The objective is that over the long term the annual contribution from revenue will become sufficient to fund the annual capital replacement programme. The annual spend on the replacement programme differs each year but currently the target is some £2.5m per annum of revenue contributions that are needed. Whenever



it has proved affordable the revenue contribution has been increased to move towards the goal of £2.5m per annum.

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

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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Asset sales	£0.687m	£4.700m	£6.000m	£9.000m	£1.000m

The material disposals include Threadneedle House, Lockside parcels of land and Riverside old pool site.

The Council's capital programme funding approach is sustainable as demonstrated by the prudential indicators, this Capital and Investment Strategy and the Medium Term Financial Forecast (contained in the budget report)

#### **Sustainability - Management of Capital Assets**

A summary of assets and valuations is contained in the Council's annual statement of accounts. This breaks down the assets into Operational and Non-operational asset types. The valuation of the investment assets is undertaken annually and is based on maximum realisable market value, however, the true value of an asset can only be obtained on its disposal. The operational assets are either valued at Historic Cost, Existing Use or Depreciated Replacement Cost, these types of valuations are not useful in determining locked in potential or true market value. Therefore, the Council's property team undertakes a programme of work reviewing key assets. The programme of work is determined by analytical review and will be fluid, reflecting economic and political environment the Council operates within.

Effective asset management will ensure that all Council property is used to effectively deliver the Corporate objectives. This will include examining costs and opportunities of holding each property. During 2020/21, a formal process for the scrutiny of commercial & investment property will developed and taken through appropriate approval channels.

### **Proportionality & Revenue Budget Implications**

The Government now requires Councils to publish quantitative indicators that allow an assessment of total risk exposure arising from past, current and future capital investment decisions. Below are the gross investments held by the authority:

<b>Total investment exposure</b>	<b>31.03.2019 Actual</b>	<b>31.03.2020 Forecast</b>	<b>31.03.2021 Forecast</b>
Treasury management Core investments	£42m	£35m	£8m
Treasury Management Cash Short term Investments	£7m	£7m	£7m
Service investments: Loans	£0.068m	£0.210m	£0.190m
Service investments: Shares	Nil	Nil	Nil
Commercial investments: Property	£79.240m	£78.840m	£88.840m
Commitments to lend	Nil	Nil	Nil
Guarantees issued on loans	Nil	Nil	Nil
<b>TOTAL EXPOSURE</b>	<b>£128.308m</b>	<b>£121.050m</b>	<b>£104.030m</b>

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

<b>Investments funded by borrowing</b>	<b>31.03.2019 Actual</b>	<b>31.03.2020 Forecast</b>	<b>31.03.2021 Forecast</b>	<b>31.03.2022 Forecast</b>
Service investments: Loans	Nil	Nil	Nil	Nil
Commercial investments: Property	Nil	£0.900m	£11.508m	£11.370m
<b>TOTAL FUNDED BY BORROWING</b>	<b>Nil</b>	<b>£0.900m</b>	<b>£11.508m</b>	<b>£11.370m</b>

The Director of Finance has identified the following estimates to help assess Risks and Proportionality of investment activity at the Council:

Estimates	2019/20 estimate	2020/21 estimate	2021/22 estimate	2022/23 estimate
Income from Treasury Management as Percentage of Net Revenue Income	1.54%	1.10%	0.90%	0.84%
Total Borrowing Undertaken to Fund Investment Properties	£0.000m	£0.900m	£11.508m	£11.370m
Total Borrowing (All types) as percentage of All Assets	3.3%	12.0%	12.0%	13.7%
Financing Costs as Percentage of Total net revenue stream	0.00%	0.19%	0.83%	0.86%
Commercial Income as percentage of Net Service Expenditure	12.02%	12.55%	13.02%	12.76%

The estimates/indicators reflect the historic decisions and the schemes included in the proposed/approved Capital programme. Below are limits on investments which reflect the estimates above plus allowance for some headroom or flexibility to undertake higher levels of investment activity. The limit is that recommended by the Director of Finance. These limits are required under Government guidance and should not be exceeded. If the Council does exceed these limits then it is expected not to rashly dispose of investments but instead should avoid entering into any further investments except for short term Treasury Management activity until appropriate alleviation of the breach is undertaken.

Limits	2019/20 Limit	2020/21 Limit	2021/22 Limits	2022/23 Limits
Commercial Income as percentage of Net Service Expenditure	16.60%	16.85%	16.63%	16.28%
Financing Costs as Percentage of Total net revenue stream	1.02%	1.21%	1.85%	1.88%

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. The projected income for 2020/21 for Commercial Income is £5.6m and £0.5m from Treasury Investments.

Investments net rate of return	2018/19 Actual %	2019/20 Forecast %	2020/21 Forecast
Treasury management investments	1.20%	1.20%	1.20%
Service investments: Loans	Nil	Nil	Nil
Commercial investments: Property	5.76%	6.53%	6.19%
WEIGHTED AVERAGE ALL INVESTMENTS	4.01%	4.68%	5.47%

### **Knowledge and Skills to Support Decision Making**

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

### **Due Diligence**

A commonality of all types of investment will be the need to recognise where the Council is lacking detailed market knowledge and then external advisors will be employed. The Council uses Arlingclose as Treasury Management Advisors and external property valuers are engaged when undertaking material purchases.

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## REVENUE & CAPITAL ESTIMATES FOR 2020/21

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### Background

1. Each year Cabinet is required to make a proposal to Council to agree a budget for the next financial year. This report contains the recommendations of Cabinet for a budget for 2020/21.
2. The budget proposals from Cabinet have since been amended under delegation to allow for:
  - Submission of a statutory estimate (NDR1) for Business Rate Retention Income which was completed after Cabinet. In summary a reduction in estimated income in 2020/21 of £316k compared to the Cabinet report which reduces the transfer to Business Rate Retention Reserve by the same amount. The change has no impact on the Council's funding of the 2020/21 service budgets. The estimated reduction is due to higher level of assumed losses on Business Rate Income and delays by the District Valuation Office in recognising new business premises.
  - The final draft proposed Local Government Funding Settlement is unchanged. However, though published the final draft settlement needs to be voted on by Parliament. The vote has been delayed due to changes in the legislative programme so will not take place until after the 24<sup>th</sup> February. In the unlikely event that the City's funding is altered after the Council meeting it is recommended to Council that reserves be used to fund any shortfall, or contributed to, should additional funding arise. This practice would be in line with existing financial delegations, so only if the funding altered by more than £1m would a further Council meeting be required. The legal resolution would be amended to reflect any change made under delegations.
  - Estimates of Sec31 paid by Government for the Business Rate Retention scheme, have been increased by £54k and the budget assumes this is transferred into the General Fund Balance in 2020/21.
3. The budget report in **Appendix 1**, provides the funding for core Council Services and supports the aims of Our Chelmsford, Our Plan. The budget reflects the need to find budget reductions to offset low government funding and to invest in the priorities of the authority. Key elements of the budget proposals are:
  - New Capital and Revenue Service Investment as shown in **Section 4**.
    - New Revenue ongoing investment of £253k and £240k one off in 2020/21.
    - New capital investment in 2020/21 of £23.3m, some £60m over the period 2020-2024. This is predominantly targeted to achieve affordable Housing development (£17m). There is £4.5m for Green initiatives including tree planting.
  - Council Tax proposal. The Government rules do allow Chelmsford to raise Council tax up to £5.00 without triggering a local referendum. However, it is proposed to increase the City Council's Council Tax by 2.6% or just under 10 pence per week (£4.98 per year), in 2020/21 similar to the level of increase in previous years, enabling the Council to take the first significant steps towards addressing the

climate and housing crises while maintaining existing service levels, despite increases in the Council's costs, continued uncertainty of Government funding and the importance of ensuring a sustainable financial position.

- A review of reserves to ensure that they are sufficiently robust to sustain the Council in the Medium Term, as set out in **Section 6**.
- The report identifies precepts for other bodies and special expenses and their effect on the overall Council Tax levels in **Section 8** of **Appendix 1**.

**4 Government Funding**

The report has been produced based on the Government's final funding settlement which is a one year only agreement, there is no further clarity over future Government funding at this time. The key points for 2020/21:

- The 2020/21 settlement does include funding to prevent losses from Negative RSG (Revenue Support Grant) for those Councils affected, including Chelmsford. Negative RSG is where a Council's RSG had been removed completely by the Government then a further funding cut was due to be made by reducing Business Rate Baseline income. In Chelmsford's case this was to be a £1m loss every year and was due to be implemented in 2019/20 but was deferred. Government funding for 2020/21 is broadly unchanged compared to 2019/20.
- Business Rate Retention income is forecast to remain buoyant for 2020/21 but the income is in effect one-off and volatile. It does not therefore provide a good basis for funding ongoing services on a sustainable basis.
- New Homes Bonus allocation for the year 2020/21 of £1.3m is for one year only and therefore has been used to fund one-off initiatives. The total New Homes Bonus funding is £4.4m

**5 Financial Challenges**

The report identifies an estimated budget shortfall for 2021/22 of £1.1m and a further £1.5m by 2024/25, however these estimates will change over time as events and income become more certain. Details can be found in **Section 6** of **Appendix 1**.

**6 Risks and a Robust Budget in Section 7**

An analysis of the major risks contained within the budget, and an opinion on the robustness of the estimates and the adequacy of reserves is made by the Director of Financial Services in **Section 7**, in line with statutory requirements. The Director identifies the key considerations that have been taken into account in arriving at the opinion, which Members are required to consider when setting the Council's budget.

**7 A Council Tax Resolution (Appendix 2) has been prepared which identifies the legal information required to set the Council Tax for 2020/21 for Chelmsford City.**

**8 Additional wording has been added to a number of items within Appendix 1, to provide further information to readers of the document.**

9 **Cabinet Resolved that it be RECOMMENDED THAT COUNCIL** approves the budget report in **Appendix 1**:

- i. The new Capital and Revenue investments in Council Services shown in **Section 4**
- ii. The Revenue Budgets in **Section 9** and Capital Budgets in **Section 10**
- iii. The delegations to undertake capital schemes identified in **Section 4, Table 5**
- iv. An increase to the average level of Council Tax for the City Council increasing the Average annual Band D Council Tax to £199.00 **Section 8**
- v. The fees & charges changes outside the budget guidelines as set out in **Section 3**
- vi. The movement in reserves shown in **Section 6**
- vii. Special expenses, Parish and Town Councils precepts as identified in **Section 8, Table 11.**
- viii. Delegation to the Chief Executive to agree after consultation with the Leader of the Council the pay award for 2020/21 within the normal financial delegations.

**Cabinet Resolved that the Council note** the Budget Forecast in **Section 6** and the report of the Director of Finance on the risks and robustness of the budget in **Section 7.**

10 **Council is recommended to approve;**

- i. In the unlikely event that the Government Settlement is amended by Parliament after the Council meeting then reserves should be used to fund any shortfall in income or an additional contribution to General Balance should be made if extra funding is awarded. The legal resolution would be amended to reflect any change. This practice would be in line with existing financial delegations, so only if the funding altered by more than £1m would a further Council meeting be required.
- ii. The Council Tax Resolution in **Appendix 2**, which fulfils the legal requirements to set a Council Tax for 2020/21

**List of Appendices**

- 1 Budget Report 2020/21
- 2 Council Tax Resolution

**Background Paper**

Nil



## Budget report 2020/21

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## Section 1

### Introduction to the Council 2020/21 Budget

This report contains the revenue & capital budget for 2020/21. The report is broken into sections to reflect the material matters relevant to the revenue and capital budget setting process for 2020/21.

The Council, in common with all other Local Authorities, has faced significant revenue budget pressures for a number of years but Chelmsford City Council has a strong financial management and planning system in place to meet the challenges ahead; **Section 2** identifies the issues around Government funding and **Section 3** identifies the cost pressures the Council continues to face.

Even within 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 revenue and capital resources in 2020/21 budget.

**Sections 5 to 7** identify the medium to long term financial planning issues that the Council needs to consider.

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

**Section 9 & 10** contain a breakdown of the revenue and capital budgets.

## Section 2

### Government Funding (estimated)

The Council's main Government revenue streams are often referred to as Formula grant or Settlement Funding Assessment. The Council has been provided with a final settlement for 2020/21.

The Government funding shown is a proposed final position, that is it reflects the closing of the Government's statutory consultation process but it is still subject to Parliamentary vote which is now expected the week of the 24<sup>th</sup> February. No changes to the figures are anticipated and the covering report identifies an appropriate mechanism in the event of variation in Government funding.

**Table 1** below shows a comparison of 2019/20 Government funding to the provisional (reported to Cabinet) and the proposed final settlement for 2020/21. The 2020/21 settlement is for a one-year period only, so there remains uncertainty regarding the Government's long-term funding intentions. **Section 6** contains information on the possible changes after 2020/21.

**Table 1**

Funding Streams	2019/20 £ms	2020/21 (provisional) £ms	2020/21 (Final) £ms
<b>1) Revenue Support Grant</b>	0	0	0
<b>2) Baseline business rate retention</b>	3.35	3.4	3.4
<b>3) One off Levy Adjustment</b>	0.05	0	0
<b>4) Sec 31 Grants</b>	0.11	0.23	0.28
<b>TOTAL</b>	<b>3.51</b>	<b>3.63</b>	<b>3.68</b>

- Revenue Support Grant (RSG)- a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG given to each authority is determined by a needs assessment which includes estimates of local resources such as council tax, population and other local data. The needs assessment also provides an amount of baseline business rate funding to be retained by an authority. The Council lost all its remaining RSG in 2018/19, however some authorities still receive RSG as a result of the needs assessment.
- Business Rates –the City Council retains only a small share (around 4%) of the Business rates collected locally, a Government formula is used to determine the amount the local authority can keep. This baseline funding position is calculated on our historic business rates collection, adjusted by a 'tariff' payment. A local authority must pay a tariff if its individual authority business rates share is greater than its assessed baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rate share. The City Council must pay a tariff of £27.5m and is able to retain Baseline Funding of £3.40m in 2020/21 of the Business Rates it collects.
- The complexity of the Business Retention scheme has led to grants being paid to local authorities for Government initiatives such as not increasing business rates in line with inflation. The grants have been re-assessed since Cabinet and completion at the end of January of National Non-domestic Rate return to Government (NDDR1). These grants are 'Sec 31 Grant' which provide a total of £280k (£226k reported to Cabinet) for 2020/21.

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

The Government scheme is materially unchanged from 2019/20, so in summary:

- i. Should Business Rate income be higher than assumed by Government then the authority is able to retain a share of this 'gain' (it pays the Government a levy on the gain) or if the income from Business rates is lower than assumed then the Council pays a share of the loss. The scheme runs over multiple years, so gains or losses may materialise up to two years after they have occurred.
- ii. Under the business rate retention scheme local authorities can come together on a voluntary basis to pool their business rates receipts and then agree collectively how these will be distributed between pool members. Pooling provides the opportunity to keep a greater share of business rates growth which otherwise would be paid to Government as a 'Levy'. However, the protection each authority receives is less in the event of losses, so in the event of the pool having an overall reduction in Business Rate Income against the Baseline set by Government, an authority could share a higher burden than that they would have outside a pool. Cabinet approved for Chelmsford to remain in a Business Rate Pool in 2020/21. The income from the pool is difficult to project as it relies upon the approach taken by other authorities as well as Chelmsford. The budget assumes the projected gains (£0.9m) from the pool which is part of a transfer into the Business Rate Reserve and are not available to fund expenditure in 2020/21, given the risks to delivery.
- iii. The Council's budget reflects £200k of Business Rate Retention being used to support annual service expenditure which is broadly the same as 2019/20. While additional Retention income is expected in 2020/21 much of this cannot be considered as ongoing beyond 2020/21. The 2020/21 budget includes some £1.946m of Business Rate Retention income above the £3.4m baseline; this has been calculated in line with statutory methods. However, of this additional income some £1.746m of gains are not considered to be sufficiently likely to support revenue expenditure and so are transferred into the Business Rate Retention Scheme reserve in the short term until they can be confirmed in 2020/21.

### New Homes Bonus (NHB)

This is a grant paid by central government to local authorities. It rewards 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. This trend continues with the 2020/21 allocation (estimated) being payable for one year only, where previous year allocations up to 2020/21 have been payable for 4 years. The expected funding for new homes bonus is shown in **Table 2** below/over page:

**Table 2**

	2018/ 19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
2015/16	225				
2016/17	715	715			
2017/18	1,082	1,082	1,082		
2018/19	1,134	1,134	1,134	1,134	
2019/20		884	884	884	884
2020/21			1,326		
	3,156	3,815	4,426	2,018	884

It has been assumed in the financial planning that the sums payable for the year before 2020/21 will continue for their four-year allocation and will be contributed to the Chelmsford Development Reserve which is assumed to be used to fund the capital programme. The 2020/21 allocation is being used to support one off expenditure and the establishment of reserves, as set out in **Section 6**.

#### **Flexible Homelessness Grant**

The Council has invested significantly in its Housing Service in order to meet the demands of new legislation (Homeless Reduction Act) and to improve the outcomes from the service for its users. A flexible homelessness support grant introduced in April 2017 replaced the Department for Work and Pensions' temporary accommodation management fee. In 2019/20 the grant was £653k (£407k initially allocated in 2017/18), the Government has confirmed £653k of grant will be paid in 2020/21 which supports existing service levels. The future of the grant beyond 2020/21 is not clear.

#### **Homeless Reduction Act -Prevention pot 2020/21**

The Government has allocated additional funding of £117k for 2020/21, this is effectively new money and will be used to support the Housing Strategy. An expenditure budget to use this funding is included in the estimates.

### **Section 3**

#### **Cost Pressures, Income Assumptions & Efficiencies**

##### Cost Pressures

##### **Pension Costs – 3-year Actuarial Valuation**

The Council is obliged by statute to offer its employees membership of the Local Government Pension Scheme (administered in Essex by Essex County Council). The scheme changed from a Final Salary to a career average 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 for the current employees and a deficiency payment to make good any estimated historic shortfalls in the assets of the fund measured against its expected liabilities.

For the 3-year valuation period from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2023;

- Pension Deficiency. It is more cost effective to fund the 3-year pension deficiency cost with an up-front payment as a discount is offered compared to paying by annual instalments. The Council has previously chosen an upfront payment and has, since the last valuation, been making annual contributions to the Pension Deficiency Reserve to fund the next upfront payment due in 2020/21. The pension fund performance has been better than expected and the cost of the 3-year payment since the last valuation has fallen from £4.1m to £2.7m. This means the annual contribution the Council makes to the pension deficiency reserve can fall going forward.
- Employer funded oncost for current service has risen from 15.5% to 19.2% of employee pay. This is a significant increase resulting from the rise in the cost of acquiring assets to fund pensions. It has become more expensive to fund future pension payments.

The increase in the current service cost is significant and the Pension Deficiency Reserve is being used to defer the impact on the ongoing budget. The deferral reduces the amount of savings needed for 2020/21 by £350k. It is planned to increase the 2021/22 & 2022/23 budgets by £175k each year until the annual payment into the deficiency reserve reaches the required level.

##### **Cost Inflation and Pay**

The Council experiences cost inflation on the supplies and services it purchases. The budget only allows for increases on Pay, Business Rates and Energy. This means in real terms service budgets decrease in 2020/21. The real terms reduction is difficult to quantify as each service purchases different supplies and services and therefore experiences different inflation.

A proposed pay award of 2% (£634k) has been built into the budget. The Council is required to consult with Unison before implementing changes to staffing pay and conditions. Additionally, national pay bargaining may influence the outcome of local negotiations. Discussions with Unison are on-going but not yet concluded. So it is proposed that a delegation should be made to the Chief Executive to agree, after consultation with the Leader of the Council, the pay award for 2020/21.

Inflation and other changes in cost for Business Rates and Utilities are £136k and £146k respectively in 2020/21.

##### **Housing Services**

The homelessness service is a statutory function of the Council. The service is demand-led, affected by:

- Legislation. This includes extending local authorities' duties to a wider number and range of people affected by homelessness, requiring a greater number to be granted temporary accommodation.

- Welfare Reforms. Limiting the level of funding that can be provided to those on lower incomes to meet their housing costs, creating a growing shortfall that has to be met by the Council.
- Economic trends and social changes have created rising housing costs in London and the South East. This has been felt more in Chelmsford than neighbouring Council areas. The supply of Temporary Accommodation (TA) the Council can use is mostly sourced from the private sector and therefore subject to and reflective of these rising costs (including Housing Benefit subsidy loss where benefit is not fully met by Government).
- Lack of affordable housing in Chelmsford, particularly 3 & 4 bed properties.
- Reduction in accommodation supply from Registered Providers due to lower churn of social housing lets. Chelmsford seems to experience a greater problem of reduced churn compared to neighbouring authorities.
- Government policy prioritising new build affordable rented housing (80% of market rents) and shared ownership over social rent housing (50% of market rents).
- Uneven supply of newly built affordable housing across the calendar year and across years. This often results in increases in the use of temporary accommodation at significant cost to the Council and highlights the need to ensure an adequate supply of new social homes of appropriate size and rent levels.

The Council has restructured its Housing service and worked hard at implementing homeless prevention measures, however, due to a continuation of the above factors, the numbers of households in TA increased from April to September before declining to 253 at the end of November. The budget reflects a reduction of the numbers in TA to 188 by the end of 2020/21 but this is translated into £287k of additional costs (including associated housing benefit costs) compared to the 2019/20 budget. The overall spend is however expected to be £130k less than 2019/20 forecast outturn. **Section 4** identifies measures the Council will be undertaking to alleviate these issues, the impact of which will be built into the Council's budgets on completion of final business cases.

### **City Growth**

The impact of the new housing development in the Council's geographic area will inevitably require that additional funding be made available to services. The 2020/21 budget provides additional funding (£165k) for recycling and waste collection services. The increase in financial and operational capacity is considered sufficient to maintain the high quality of Council services until 2023/24 when further additional funding is likely to be required.

### **One off costs**

A number of one-off costs in 2020/21 have been identified that relate to consequences of initiatives that have previously been approved, these being:

- Use of suppliers to undertake rent reviews and lease renewals on buildings let by the Council at £47k
- Business rate costs of £75k, on Lockside properties that the Council has taken back from tenants to enable disposal of the site.
- Implementation of Technology One Finance system of £46k

As these costs are one off, it is proposed to fund them from the General Fund Balance.

### Income Changes

#### **Rental Income**

The Council has a strategy for acquiring property/sites that enable economic improvements within the Council's geographic area and may also provide an income stream or future capital receipt to support the Council's objectives. Planned disposals of assets previously reported to Cabinet produced capital proceeds but result in a reduction of £126k in annual rental income. Additionally, the Council's largest non-operational asset by value and income, High Chelmer

shopping centre, is affected by the widely reported retail sector's economic malaise and income is expected to be £80k lower than last year's budget.

The Council received in January a report on the proposed acquisition of an office block which has been included in the estimates but given the purchase has not been finalised the additional income is transferred into the General Fund balance in 2020/21 and on completion any ongoing net income will be available to fund service expenditure.

The Capital Strategy elsewhere on the agenda identifies the income the Council receives in total from similar properties and gives a background to the extent that Council expenditure is supported by property income.

### **Fees and Charges Inflation**

The Council's sales, fees and charges and other income generate nearly £30m per annum, significantly more than Council Tax and Government formula grant combined. The Council has discretion to increase annually most of these charges, however some are set by Government e.g. planning charges. Annual increases are necessary due to falling Government grant and cost pressures that the Council experiences. The Council set the rate of increase at an average of 2.0% for 2020/21 in the Medium-Term Financial Strategy Report. However, the budget also reflects:

- A new pricing strategy for Car Parking reported to January 2020 Cabinet
- Retail Market Rent income is proving to be detrimentally affected by the current economic conditions and the rents are frozen at 2019/20 levels which is intended to help maintain a vibrant retail market.

### **Hylands Festival**

The Council has previously let Hylands Park to external providers for a music festival. The event for 2019/20 was cancelled late in the budget process and the Council used reserves to offset the loss in revenue budget. A music festival is expected to take place in 2020/21, so the budget includes provision for the income, but this festival will be of a smaller scale than the V festival previously, so the income assumption for 2020/21 is lower than the 2019/20 estimate. An adverse budget variance of £80k has been identified.

### **Efficiencies**

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 below in **Table 3a & 3b**.

**Table 3a**

<b>Saving</b>	<b>Connected Chelmsford £000s</b>	<b>Council Wide £000s</b>	<b>Fairer Chelmsford £000s</b>	<b>Greener Chelmsford £000s</b>	<b>Safer Chelmsford £000s</b>	<b>Total 2020/21 £000s</b>
Cost reduction	27	51.9	81.5	9	128	297.4
Income generation	128		2	80	55	265
<b>Grand Total</b>	<b>155</b>	<b>51.9</b>	<b>83.5</b>	<b>89</b>	<b>183</b>	<b>562.4</b>

**Table 3b**

<b>Saving</b>	<b>Cumulative Total 2021/22 £000s</b>	<b>Cumulative Total 2022/23 £000s</b>
Cost reduction	349.6	364.8
Income generation	332.4	398.0
<b>Grand Total</b>	<b>682.0</b>	<b>762.8</b>

## **Section 4**

### **2020/21 Service Investment**

The Council's budget is a financial plan to contribute to delivering Our Chelmsford, Our Plan. This section of the report identifies increases in 2020/21 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, 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.

The one-off service investments are being funded by New Homes Bonus which is for 2020/21 a one-year grant, rather than the traditional 4 year. The ongoing items are being built into the ongoing base budget and will be funded from ongoing income sources.

**Table 4** on the next page identifies the new revenue service investments.

#### **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 either lengthen substantially the useful life of the asset, increase substantially the open market value or increase substantially the extent to which the Council can use the asset.

Local Authorities under statute can also fund from capital resources grants to other bodies or individuals 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, 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 & Investment Strategy, that document provides details on overall funding & capital expenditure plans. A summary of how revenue and capital expenditure are linked is in **Section 5** of this report.

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

**Table 5** shows the new capital schemes. Within the scheme narrations in **Table 5** the approval process for capital expenditure is dealt with in three ways, firstly a number of schemes are fully approved for officers to undertake, a second category where Directors and Cabinet members will agree a more detailed business case before undertaking the scheme, a third category where the budget is first approved by Council then delegated to future Cabinet meetings to agree business cases.

The revenue budget forecast in **Section 6** includes the revenue costs of financing the schemes but the running costs or financial benefits of schemes are excluded pending development of a full business case.

As feasibility and business cases develop for the new capital schemes it may become apparent that some of the costs in the schemes are under accounting practice revenue items. The Director of Finance in consultation with the Cabinet Member for a Fairer Chelmsford is delegated to transfer these items into the revenue budget. They would be funded from Revenue Reserves such as the Chelmsford Development Reserve or Asset Replacement Reserve which are in any case earmarked to fund the capital programme, so there would be no detrimental impact on the revenue budgets.



**TABLE 4 - REVENUE FUNDED - New Service Investment for 2020/21**

<b>Scheme</b>	<b>Cost 2020/21 £000s</b>	<b>Cost Ongoing £000s</b>	<b>Details</b>
1 Chelmer Waterside Project Management	50	Nil	Chelmer Waterside Project Management. A temporary role will be created to oversee the various elements that interlink to bring forward infrastructure in Waterside (road/bridge, land decontamination, High Pressure Gas main relocation). An estimate of £50k a year for 3 years (part funded by Growth Fund Reserve from 2021/22 which has a balance of £85k )
2 Broadcast from meeting rooms	5		To enable live streaming in some meetings
3 Affordable Housing market Assessment	50		To support the ongoing development of the Housing Strategy
4 Zero Carbon Homes report	50		To consider how zero carbon homes could be achieved for all new build properties.
5 Housing Incentive Scheme	50		This is a provisional sum, to enable a programme of property downsizing at RSLs. This is intended to free up 3&4 bed homes of which there are short supply.
6 Implementation of Digital Strategy	24	10	Website improvements (including search functionality)
7 Website Upgrade re-branding	5		
8 Property Service Staffing	28	28	This is an ongoing increase to capacity to enable development of the Council's own land and generally provide support to Chelmsford's City Council's geographical area. These roles will support the development of additional affordable Housing.
9 Homelessness Prevention Fund	25	25	Payments to landlords to avoid more costly evictions.
10 Implementation of Digital Strategy	156	156	Digitalisation of Council processes, including new multi-functional printers (reducing capital costs by £108k) and Dynamics software licences
11 Implementation of Digital Strategy	34	34	The move from PC to laptops and other mobile devices requires a change in licencing. This enables flexible working and increases service resilience
12 Chapel Refurbishment	16		To ensure an acceptable level of service, redecoration of the Chapel is required
<b>Total</b>	<b>493</b>	<b>253</b>	<b>One off costs funded from New Homes Bonus and Ongoing Costs are funded from ongoing income</b>

Table 5

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Details		2019/20	2020/21	2021/22	2022/23	2023/24	Later Years	Total Spend
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>New Schemes (see table 5 for details)</b>								
1	Theatres' Toilets Phase I			155				155
2	High Chelmer Roof			500	500	500		1,500
3	Hylands' House Banqueting Room Refurbishment		24					24
4	Hyland's House Stable Block Toilets				44			44
5	Travel Plan Pool Cars		60					60
6	Equipped Play Areas		265	311				576
7	Galleywood Common Access Road Improvements		30					30
8	Saltcoats Park and Compass Gardens Car Park Resurfacing Works			253				253
9	Beaulieu Park Pavilion Refurbishment			57				57
10	Chancellor Park Pavilion Works			46				46
11	Dovedale Refurbishment Grant		42					42
<u>Schemes where Delegation Required for Cabinet/Officers to Spend Once Business Cases Received</u>								
12	Civic Offices Improvement Programme		244	116	100			460
13	Theatre Modernisation Phase I				100			100
14	Refurbishment Commercially Leased Property			720				720
15	Strategic Property Purchase		10,000					10,000
16	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy		7,000					7,000
17	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing		3,200	2,500	2,200	1,000	1,000	9,900
18	Delivering Infrastructure - Chelmer Waterside Utilising The Housing Infrastructure Fund	519	475	14,506				15,500
19	Mass Tree Planting and Woodland Creation			660		660	3,080	4,400
20	Riverside Elevations - Planning Condition		2,000					2,000
21	Council Fleet Low Emission by 2024 - Trial Electric Vehicles				170			170
22	Cemetery and Crematorium Infrastructure				3,400	3,400		6,800
23	Rivers and Waterways Improvements			200	200	200		600
<b>Sub Total</b>		<b>519</b>	<b>23,340</b>	<b>20,024</b>	<b>6,714</b>	<b>5,760</b>	<b>4,080</b>	<b>60,437</b>

  

Details		2019/20	2020/21	2021/22	2022/23	2023/24	Later Years	Total Spend
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Potential Funding</u>								
SI06 Contributions Chelmer Waterside Infrastructure to be Approved			-300	-4,500				-4,800
SI06 Contribution Equipped Play Areas			-73	-60				-133
SI06 Contribution Saltcoats and Compass Gardens Car Park				-43				-43
CIL Neighbourhood Funding Equipped Play Areas to be Approved			-50	-50				-100
Housing Infrastructure Fund Grant Subject to Final Approval		-519	-175	-10,006				-10,700
External Funding to be Sought				-200	-200	-200	-2,000	-2,600
<b>Total of New Scheme Proposals After Funding Applied</b>		<b>0</b>	<b>22,742</b>	<b>5,165</b>	<b>6,514</b>	<b>5,560</b>	<b>2,080</b>	<b>42,061</b>

## CAPITAL PROGRAMME - New Schemes Identified for Approval Narrative

Scheme	Details
1 Theatres' Toilets Phase I	<p>The proposal is to completely refurbish the front of house toilets in the Theatres, bringing the facilities up to date and improving the overall experience to the customers. It will also reduce the amount of maintenance required. This work has been identified by the Building Service's Condition Survey conducted in 2017. If the scheme does not go ahead the toilets will fall into complete disrepair and customer complaints will increase which may affect theatre attendances.</p>
2 High Chelmer Roof Repairs	<p>The Council owns the freehold of the High Chelmer Shopping Centre and benefits from a lease agreement with the Coal Board Pension Fund by which it receives 50% of the rental income from the property. The roof of the property is approaching the end of its economical life and will require replacement in stages, The Council will be required to contribute to the cost of these works. To do nothing would seriously impact on one of the main visitor destinations in the City and may also give rise to Health and Safety issues.</p>
3 Hylands House Banqueting Room Refurbishment	<p>The Banqueting Room is perhaps the most high-profile component of the Hylands House restoration and in addition to its significant heritage value, it provides a critical element in the wedding hire business driving in excess of £500k of income annually. The scope of the proposed scheme is to return the painted plaster walls of the Banqueting Room to their original condition (when Hylands House reopened) and reinstate the original polished floor. The alternative would be to continue with the policy of repairing visible damage reactively. The evidence of the ineffectiveness of this strategy is clearly visible throughout the Banqueting Room with repairs increasingly visible and the absence of a coherent restoration strategy.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
4 Hylands House Stable Block Toilets	<p>The Hylands Estate is a high-profile element of Chelmsford City Council's property portfolio and The Stables, with its café and growing community of designers, artists and makers, is at the centre of its engagement with the public. In order to sustain the commercial development of The Stables Café and Hylands Creative Community, maintaining the hygiene facilities to a good standard is considered imperative. The toilet block was installed 12 years ago for the opening of The Stables Visitor Centre and the condition of the male, female and disabled facilities are dated, showing clear signs of the heavy usage to which, they have been subjected. This scheme proposes to refurbish the toilet block in The Stables at Hylands including new cubicles, sanitaryware, tiling, flooring, plumbing and electrical works and equipment. If this scheme does not go ahead the quality of the facilities will deteriorate and the requirement for enhanced levels of service and repairs will escalate. This will result in reputational damage of deteriorating hygiene facilities on visitors and tenants.</p>
5 Travel Plan Pool Cars	<p>The travel plan survey shows that a number of staff drive to work in case they need their car for work purposes. Providing pool cars will enable staff to use more sustainable forms of transport to commute to work. If successful the use of pool cars will result in a reduction of the current annual mileage payments of £72k and allow a reduction of staff car parking spaces in Fairfield Road which will significantly contribute to the cost of the initiative. The initial 5 pool cars provided will be a mixture of electric, hybrid, and plug-in hybrid to enable suitability to be assessed for various work situations. This initiative will directly contribute to the Council's Climate and Ecological Emergency Declaration to make the Council's activities net-zero carbon by 2030, and will contribute to the action of 'upgrading the Council's fleet to ensure it is all low emission, embracing the latest low emission technology'. Any reduction in car journeys or moving them to low or ultra-low emission journeys will directly contribute to making Chelmsford an attractive place and making Chelmsford an even more enjoyable place in which to live, work and visit. It is proposed that the vehicles will be procured via a three year lease/contract hire but due to accounting policy changes will need to be financed from capital.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
New Schemes (continued)	
<p>6 Equipped Play Areas</p>	<p>This scheme is a proposal to replace equipment in existing play areas and is required to keep them operational.</p> <p>The schemes scheduled for 2020/21 are as follows:- Springfield Hall Park £107k, Compass Gardens/Saltcoats Park £116k and Churchill Rise £42k.</p> <p>The schemes scheduled for 2021/22 are as follows:- Potters Close £36k, Chislett Row £70k, Rookes Crescent £58k, Homestead £19k, and Melbourne Park £128k.</p> <p>All these existing play areas are in poor condition and need replacement as the equipment is reaching end of life. These are the next priorities in the 2012 Equipped Play Development Plan. They are popular locations for children up to 12 years old and their parents, serving the local neighbourhoods and local population. Without replacement the existing equipment will be removed as it becomes unsafe. Currently there are approved S106 contributions towards the cost of Compass Gardens £73k, Chislett Row £29k and Melbourne Park £31k and it is proposed that an application will be made for CIL neighbourhood funding of an additional sum of £100k towards these schemes.</p>
<p>7 Galleywood Common Access Road Improvements</p>	<p>The road is owned by the Council. A number of houses enjoy access rights and the road also serves the northern car park on the common. An access easement along this road was granted to a developer for the construction of two in-fill houses which included a provision to be used towards the repair of the road following completion of the construction of the houses. The resurfacing is required on the grounds of safety and to avoid damage to vehicles using the access. If this scheme does not progress the surface will continue to deteriorate which could result in liability claims to the City Council.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
8 Saltcoats and Compass Gardens' Car Park Resurfacing Works	<p>This scheme proposes to resurface the driveway and parking bays in Compass Gardens, to construct an overflow car park and to extend Saltcoats car park to allow access to a play space which is scheduled for refurbishment in 2021/22 (see 6 above). The resurfacing is required on the grounds of safety and to avoid damage to vehicles using the area. Wherever possible products will be selected from recycled materials such as recycled plastics/rubber and recycled road material. Works on site will be carried out ensuring the protection of the existing park land/green space, such as installation of temporary trackway and protective fencing around existing trees. The scheme will also benefit from additional tree planting and landscaping. If this scheme does not progress the surface will continue to deteriorate which could result in liability claims to the City Council.</p>
9 Beaulieu Park Pavilion Refurbishment	<p>The sports pavilion is in City Council ownership and there are management and maintenance obligations. The building and building systems are deteriorating and without necessary works will reach the end of their safe life span. In order to avoid the building becoming operationally unavailable there are works which need to proceed. The heating and ventilation systems are at the end of their lifespan and require replacement, the store room works are on the grounds of safety and exterior works are to ensure that the building condition does not unduly deteriorate. The works proposed are tangible improvements on site for users. All works will be subject to safety inspections and risk assessments will be signed off to ensure the areas are safe to use.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
10 Chancellor Park Pavilion Works	<p>The sports pavilion is in City Council ownership and there are management and maintenance obligations. The building and building systems are deteriorating and without necessary works will reach the end of their safe life span. In order to avoid the building becoming operationally unavailable there are works which need to proceed. The heating and ventilation systems are at the end of their lifespan and require replacement and exterior works are to ensure that the building condition does not unduly deteriorate. The works proposed are tangible improvements on site for users. All works will be subject to safety inspections and a risk assessment will be signed off to ensure the areas are safe to use.</p>
11 Dovedales Refurbishment Grant	<p>Dovedale Sports Centre is operated under a joint use agreement with Chelmsford College. Following the latest condition survey of the building the College has identified urgent schemes as high priority. This is not part of the rolling maintenance programme but forms a separate bid which is vital for maintaining the building to a safe standard and remaining operational. The total cost of the works is estimated as £84k (window replacement £32k, reception roof and other urgent roof repairs £22k and refurbishment of the male toilets £30k) and a 50% contribution of £42k is required in line with the joint use agreement. The centre is old and dated and this scheme will enable the centre to remain open. If the works are not carried out there is a very high-risk that areas of the roof and windows will fail which will lead to disruption/ closure of the facility. The centre is well used and attracts around 70,000 customer visits per annum.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
12 Civic Offices Improvement Programme	<p>The proposed scheme involves a phased refurbishment of the office accommodation that has not been upgraded in recent years to make it fit for purpose and create more flexible workspaces. The programme will also include new breakout areas, meeting or training rooms and improvements to the kitchen areas. Improving the facilities will improve the welfare of the staff. If the offices are not improved they will deteriorate further, making them less able to meet the demands of a modern office environment. This could affect the morale of the staff who are expected to work in sub-standard offices. More detailed proposals and phased programme of work will be prepared in due course. <span style="color: red;">It is also requested that delegated authority is given to the Director of Public Places, after consultation with the Cabinet Member for Safer Chelmsford to develop a scheme and spend the approved budget.</span></p>
13 Theatre Modernisation Phase I	<p>This proposal aims to approve a budget which can be used to begin to modernise the theatre. A more detailed business case will be prepared in due course. <span style="color: red;">It is also requested that delegated authority is given to the Director of Connected Chelmsford, after consultation with the Cabinet Member for Connected Chelmsford to develop a scheme and spend the approved budget. Any larger scheme which comes out of this proposal should be referred to Cabinet/Council as appropriate for approval.</span></p>



## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
14 Refurbishment of Commercially Leased property	<p>The Council owns and manages several investment properties let on commercial terms via leases to third party tenants. In some cases, as these leases draw to an end, the need may arise to undertake works to the property. This will be required to secure future income from the property by agreeing terms with new or existing tenants. Some properties may require work to bring them in line with new legislation, for example Minimum Energy Efficiency Standards (MEES), which imposes regulations on the energy performance of a property. If this investment is not made to the properties at the end of the leases there could be a major loss of revenue. <b>It is requested that delegated authority is given to the Director of Financial Services, who after consultation with the Cabinet Member for Fairer Chelmsford, will agree the the works required to the properties at the end of lease and to spend within the approved budget.</b></p>
15 Strategic Property Purchase	<p>The Council has successfully acquired a number of commercial property investments providing a mixed portfolio. Given continuing low interest rates it is proposed that a budget for strategic property acquisitions is created, to take advantage of opportunities in the market should they arise. Any acquisition must meet strategic need and make a net contribution to revenue income. The parameters for any acquisition will be set in the Capital and Investment Strategy. <b>It is requested that delegated authority is given to the Director of Financial Services, who after consultation with the Cabinet Member for Fairer Chelmsford, will agree that the proposed acquisition meets the requirements and to spend the approved budget.</b></p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
16 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy - Temporary Accommodation	<p>Over the last 10 years the City has seen the number of homeless registered double. This has impacted on the number of people being accepted into the Council's temporary accommodation provision, the numbers peaked around three years ago for a variety of reasons. One of the main changes witnessed in the last few years has been the increase in the number of households becoming homeless due to private landlords serving notice to quit, reflecting the growth of this sector which is replacing home-ownership as an option for many households. This increase in demand has resulted in higher rents which many on lower incomes can no longer afford. It is forecast that the imbalance between supply and demand in the rental market is expected to see rent increases over the next five years and a further decline in available rented property. The Council currently provides temporary accommodation through a mix of nightly lets, Bed and Breakfast, private rented and Council owned properties. This proposal seeks to purchase approximately 20 additional properties from developers or wider housing market, with an appropriate mix of sizes to be used for temporary accommodation. This will be more cost effective than existing nightly lets and Bed and Breakfast provisions. <b>A business case will be developed to determine the costs and benefits arising from this proposal and it is requested that delegated authority is given to the Director of Financial Services, who after consultation with the Cabinet Member for Fairer Chelmsford, will agree that the proposed acquisitions meet the requirements and to spend within the approved budget.</b></p>
17 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	<p>This proposal aims to explore opportunities to deliver additional housing, particularly with affordable rents, through joint ventures and partnerships. It aims to increase the supply of 'long term rented properties' in combination with shared and outright ownership, and to increase the supply of mixed income and affordable housing for rent to meet the needs of residents and people moving to the area. It also aims to provide an adequate supply of homes that meets the needs and demands of an ageing population and an increased supply of supported housing to meet local need. This is viewed as a 10 year programme and will include various options such as Development of housing on Council owned land, expansion and development of hostel accommodation, acquisition of land for development, development on regeneration/brownfield sites and property purchases. <b>More detailed business cases will need to be prepared before any schemes can progress and it is requested that Council approve a delegated authority for Cabinet to agree the schemes and to spend the budget once the business cases comes forward.</b></p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
18 Delivering Infrastructure - Chelmer Waterside Utilising The Housing Infrastructure Fund	<p>Chelmsford City Council has been awarded up to £10.7 million from the Government's Housing Infrastructure Fund to deliver the infrastructure necessary to support new housing at Chelmer Waterside. The Council entered into the Grant Funding Agreement with Homes England in December 2019. The grant has been awarded to deliver the following infrastructure:</p> <ul style="list-style-type: none"> <li>a) A new access road and bridge over the River Chelmer</li> <li>b) Land remediation works, and</li> <li>c) Relocation of a gas pressure reduction system and high-pressure gas main</li> </ul> <p>In broad terms, £5.7 million of the funding has been awarded for (a) and (b) above and £5 million for (c). The grant is awarded to support the delivery of up to 970 new homes in Chelmer Waterside.</p> <p>The first elements of funding will be used to prepare the design of the road and bridge (estimated at £864k), carry out a land remediation survey of the former Gas Works site (up to £100k) and to procure a supplier to carry out the feasibility study for the proposed relocation of the gas pressure reduction system and high pressure gas mains (£250k). Construction of the road and bridge, land decontamination and the relocation of the gas pressure reduction system and gas main (if affordable) will follow.</p> <p>There is currently an approved budget of £250k for the designs and feasibility studies and Cabinet are requested to approve an additional £964k to continue the works detailed above. Once the feasibility and design works are completed, a more detailed business case will need to be prepared before the scheme can progress and it is requested that Council approve a delegated authority for Cabinet to agree the scheme and to spend the budget once a business case comes forward. The scheme is currently shown at a NIL cost to CCC due to the HIF grant and the use of S106 contributions which are still subject to final confirmation and approval.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme New Schemes (continued)	Details
19 Mass Tree Planting and Woodland Creation	<p>This proposal is to increase the tree canopy in Chelmsford from 13% to a least 20% by undertaking a greening programme to significantly increase the amount of woodland and the proportion of tree cover in the Borough of Chelmsford through a sustained medium-term 'mass tree planting and woodland creation' programme. The Council currently does not have sufficient suitable land available to accommodate all the proposed tree planting, so for later phases of the programme land may need to be acquired and opportunities for partnership planting will be considered.</p> <p>The aim is to create an additional 71 hectares of woodland/tree cover by planting 148,000 additional trees which will bring the total trees planted to 175,000. The ambition is to have one tree planted for every existing resident and at least three new trees planted for every new home in the Local Plan growth sites. The scheme is an integral part of the City Council's Climate Emergency declaration made on the 16th July 2019. A mass tree and woodland planting campaign, sustained over the medium-term, is a crucial element of a possible action plan to address the climate and ecological emergency and will be fundamental to achieving the target set for the Council's activities to be net-zero carbon by 2030. Urban trees and woodland are increasingly recognised as providing a diverse range of environmental and quality of life benefits that are important in tackling the current climate emergency. If this scheme does not progress then there will be a failure to deliver the City Council's 'Our Chelmsford, Our Plan' and 'Climate and Ecological Emergency Action Plan'. A more detailed programme will be prepared in due course. <b>It is also requested that delegated authority is given to the Director of Public Places, after consultation with the Director of Financial Services and the Cabinet Members for Fairer and Safer Chelmsford to develop a mass tree planting programme and spend the approved budget. It is also recommended that appropriate funding sources should wherever possible be used.</b></p>
20 Riverside Elevations	<p>The planning consent for redevelopment of Riverside and the associated demolition works to the redundant structures following the opening of the new centre, imposed a condition requiring the Council to submit for approval 'a scheme for comprehensively re-cladding the existing ice rink and sports hall structure retained by these proposals in appropriate high quality material(s)' and to implement such an approved scheme within twelve months of the first operational use of the new leisure centre.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme New Schemes (continued)	Details
20 Riverside Elevations (continued)	<p>Various options for this cladding scheme have been examined and preliminary cost estimates prepared, but a final design solution has not yet been agreed. Based on the initial feasibility work an allowance of £2m needs to be included in the capital programme to allow this outstanding planning condition to be discharged. <b>Once the feasibility works have been completed the design options will be reviewed. It is requested that Council approve a delegated authority for Cabinet to review the options agree the scheme and to spend within the approved budget.</b></p>
21 Council Fleet Low Emission by 2024 - Trial Electric Vehicles	<p>This is a proposal to upgrade the Council's vehicle fleet to embrace the latest low emission technology, including electric power vehicles, as they become operationally and commercially viable. This will result in all fleet vehicles meeting the Euro 6 vehicle emission standards (at least) by 2024. This will be a significant contribution towards the target to make the Council's activities net-zero carbon by 2030. To achieve low-emission compliance by 2024, no additional resources other than those already identified in the replacement programme will be necessary. At present, it would be technically, practically and financially challenging to contemplate switching the larger-vehicle fleet (predominantly collection vehicles) to ultra-low emission alternatives (ULE). However, there may be merit in trialling an ULE collection vehicle in the fleet within the next two years to gain direct experience and expertise in the operation, use and value of such vehicles. This would also allow 'in-operation' running costs to be determined, so that likely payback periods can be more accurately assessed. To do this, one-off top-up funding of £170,000 would need to be provided. There is scope to consider the gradual replacement of selected small vehicles with ULE alternatives as their replacement becomes due. However, the price premium representing the difference between using ultra-low emission compared to low-emission vehicles warrants further debate; to justify the benefits that may be realised against the additional cost that may be incurred. It would be better for this debate to take place in the context of the Council's emerging 'environmental plan', where competing priorities for investment can be considered. <b>It is requested that delegated authority is given to the Director of Public Places after consultation with the Cabinet Member for Safer Chelmsford to select an appropriate vehicle and to spend the approved budget.</b></p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme New Schemes (continued)	Details
22 Cemetery and Crematorium Infrastructure	<p>In order to meet its obligations as the burial authority and the cremation authority for the area, there is a requirement for a new cemetery to be available for use by 2026. Any new facility will make a significant contribution to achieving a net-zero carbon position for Council activities by 2030 through improved energy efficiency and potentially incorporating new technologies less reliant on carbon fuels. Consideration will be given to incorporating the latest technologies and emerging alternative methods of treatment and disposal of human remains in the new facility. <b>A more detailed business case will need to be prepared before the scheme can progress and it is requested that Council approve a delegated authority for Cabinet to agree the scheme and to spend the budget once a business case comes forward.</b></p>
23 Rivers and Waterways Improvements	<p>This scheme proposes to improve the environmental quality, attractiveness and recreational use of the rivers and waterways and associated green corridors in the City Centre and surrounding areas. If the full potential of the rivers and waterways is to be realised, a combination of low-cost actions and larger scale high impact projects requiring significant capital investment will be required. It is anticipated that many of the larger scale improvements will be integrated into the development of specific sites, or resources will be secured through planning obligations. An allowance of £600k over a 3-year programme will be required for works that cannot be resourced through site development plans and will not be delivered by the Green Infrastructure Plan. A Rivers and Waterways Working Group has been established to examine options, merits and deliverability of different solutions. <b>A more detailed business case will be prepared in due course. It is also requested that delegated authority is given to the Director of Public Places, after consultation with the Cabinet Member for Safer Chelmsford, to develop a scheme and spend the approved budget. It is also recommended that appropriate funding sources should wherever possible be used.</b></p>

## **Section 5**

### **The impact of Capital Expenditure on the Revenue Budget**

The Council is required by statute to produce a Capital Strategy, which is approved by Cabinet in January and Council in February each year. It gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. Also, 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 short summary of how the capital expenditure links to the revenue budget.

The Council capital programme is shown in **Section 4 (table 5 new schemes)** & **Section 10** contains Replacement Programme and previously approved schemes. The capital programme is different from revenue budgets in that borrowing and assets sales may be used to fund expenditure.

The Medium-Term Financial Strategy identified a policy of:

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). Capital spending plans, whether funded from internal resources or through borrowing, will be affordable, prudent and sustainable.

The impact on the Council 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
  - Borrowing costs (interest and principal repayments) are a revenue cost
  - Direct Revenue Financing of capital schemes. An expenditure line in the Council's Revenue budget which in effect funds capital expenditure

The revenue budget for 2020/21 contains the following funding for the capital programme:

- Minimum Revenue Provision (money set aside to repay the principal of debt) of £80k. Further details can be found in the Capital & Investment Strategy 2020/21. The MRP charge is made to revenue budgets for any assets funded from borrowing the year after the asset is complete.
- Direct Revenue Financing of Capital £4.8m. This is being used to fund:
  - short life assets (equipment) the funding for which comes from contributions to Asset Replacement Reserve; and
  - longer life assets are also funded but from the Chelmsford Development Reserve, which in turn is funded from windfall or temporary income such as new homes bonus. Further details on these reserves can be found in **Section 6**

The Council's financing of its capital programme is always estimated as part of the budget process and concluded at financial year end. The actual methods of financing can differ from the estimates depending on if the relative costs of each method changes. The Director of Finance will determine the optimal mix of resources at the end of the financial year.

The Council's capital programme does require the use of borrowing which is currently planned to be internal borrowing using council cash balances instead of taking on external loans. The cost of internal borrowing is the interest forgone on not investing Council funds and a minimum revenue provision. These matters are discussed in the report, Capital and Investment Strategy 2020/21 elsewhere on the agenda.

## **Section 6**

### **Revenue - Reserves & Forecast**

The Director of Finance produces regular forecasts of the Council's finances and an annual Medium-Term Financial Strategy which uses these forecasts to set out a financial strategy to manage the financial challenges faced.

The Budget should be considered along with the forecast (including Reserves and Council tax) when decisions are made regarding whether the budget is affordable and sustainable.

A forecast of capital expenditure and income is contained in the Capital Investment Strategy, in line with statutory requirements.

#### **Reserves**

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

- The need to fund planned one off expenditure/ loss of income such as:
  - The use of reserves to temporarily balance loss of car parking income
  - Capital funding including the partial funding of the redevelopment of Riverside
  
- The need to protect against unbudgeted risks for example:
  - Business Rate retention timing difference or reduced business rate income
  - Falls in income due to changes in economic conditions
  - Homelessness and other demand led costs

The Council will seek to increase the level of its general fund reserves (General Fund plus Contingency) and maintain this at an appropriate level commensurate with the level of financial risk it faces. As a minimum, the Council should work towards a level of approximately 5% of its gross expenditure (which would be around £7m when compared to the gross expenditure figure included in the last Council Tax resolution), whilst recognising that the level of balances will fluctuate over time as it adjusts to short-term pressures in the revenue budget.

The Reserve estimates have been updated for variances identified in the 2019/20 Revenue Monitoring, there is a risk there will be further variances but the assumptions are:

- Service Level overspend broadly in line with that reported to October Cabinet
- Additional Business Rate Retention income is achieved in 2019/20 of some £2.5m which is transferred into the General Fund Contingency



In summary the material transfers to and from reserves in 2020/21 are:

**Table 6**

Transfer to/from reserve £ms	Reserve Name
<u>Annual contribution from Revenue:</u>	
£0.54m	to the Pension deficiency cost
£1.7m	to the Asset Replacement Reserve
<u>Temporary/One off Income contributions to Reserves</u> Creation of the following reserves from one off New Home Bonus Funding 2020/21	
£0.39m	To Project Evaluation Reserve. The capital programme includes schemes which require further feasibility and financial evaluation, so this reserve enables production of robust business plans
£0.15m	To Housing Initiatives Reserve. To establish funding to undertake initial stages of projects that may not be capital costs.
<u>One off Contribution</u>	
£0.31m	to General Fund Balance, from rent income from a potential purchase and additional Section 31 Business Rate Grants.
£3.1m	of New Homes Bonus to the Chelmsford Development Reserve, which will be used to fund the capital programme.
<u>Annual contribution from Revenue:</u>	
£0.5m	To Digital Portfolio Office (DPO) Reserve. The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process and an additional sum is made available to support the work, subject to the success of pilot schemes.
£1.75m	to Business Rate Retention Reserve (uncertain Business Rate Retention Income)
<u>Use of Reserves to Support expenditure</u>	
£0.19m	Local Development framework
£2.7m	To fund pension costs from Pension Deficiency Reserve
£1.7m	Asset Replacement Reserve to support the capital programme
£3.1m	Chelmsford Development Reserve to support the capital programme
£0.047m	Use of suppliers to undertake rent reviews and lease renewals on buildings let by the Council funded by General Balance
£0.075m	Business rate costs on Lockside properties that the Council has taken back from tenants to enable disposal of larger site Funded by General Balance
£0.046m	Implementation of Technology One Finance system funded by General Balance

The Council Tax Surplus for 2020/21 is transferred into the General Fund Contingency Reserve to support one off expenditure

A forecast of the reserves for 2020/21 and future years is shown in **Table 8**, at the end of this section, it also identifies the purpose of each reserve and any delegation for their use.

### Revenue Forecast

In summary the projected budget shortfalls are shown in **Table 7** below:

<b>Table 7</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Losses as a result of Government policy	450	250	250	250
+Other Pressures/-reductions	669	111	506	165
<b>Total In year</b>	<b>1,119</b>	<b>361</b>	<b>756</b>	<b>415</b>
Cumulative		<b>1,480</b>	<b>2,236</b>	<b>2,651</b>

A more detailed forecast of the Council's budget is shown in **Table 9** at the end of this section.

The key assumptions in the forecast are:

- Government funding. The Government has previously provided multi-year settlements so that Councils have clarity to plan for funding cuts. The 2020/21 settlement is for one year only. The Council could plan on the basis that future years funding is at existing levels given recent national politics portraying the era of austerity/ funding cuts is over. However, the 2019/20 and 2020/21 settlements did provide Chelmsford and a number of other Councils with funding so that negative Revenue Support Grant (RSG) was not implemented. Negative RSG is where all of a Council's RSG had been removed by the Government but an additional funding cut was due to take place by reducing Business Rate Baseline income; in Chelmsford's case this was to be a further £1m every year loss and was due to be implemented in 2019/20. This cut was not made but has not officially been permanently cancelled. The Government is continuing to undertake fair funding and business rate retention reviews during 2020/21 and it is thought that the Negative RSG is in some way likely to influence the future funding available to Chelmsford. The forecast therefore includes a £250k loss of central government funding for the four years after 2020/21.
- New Home Bonus (NHB) has been under threat of reform for many years. The Government is likely at the very least to reduce the sums paid to Councils and the number of years they receive it. This could be achieved by many mechanisms and there is still the option to simply scrap the scheme. The Council's policy has been to set aside NHB for funding of one-off initiatives or contributing to Reserves (then capital). The Council's services would not suffer directly if the Government removed the scheme completely, however, the result might be reduced funding for the capital programme which would then require reductions in the planned programme or additional borrowing with its financing cost met by revenue. The Council's financial planning assumes no new allocation of NHB but does assume the run off over 4 years of the previous allocations.
- Business Rate Retention. The Council has received around £2m per annum for the last 2 years and this is projected to continue in 2020/21. Only £200k is used to support ongoing expenditure in 2020/21. From 2021/22 the forecast assumes that the Council's ongoing budgets are not supported at all by Business Rate Retention income, this reflects a cautious approach as the Government is reviewing the business rate retention scheme.
- Flexible homelessness support grant. The Council relies on £653k which the Government provides to help fund homeless prevention work. The funding is

relatively new and was established by the Government by removing another source of funding for the Council's Temporary Housing administration. There has not been sufficient clarity from Government to determine with certainty that the flexible homelessness grant will continue in the medium term, however the lack of a proposal to remove it means the forecast budget assumes the grant will continue.

- The revenue forecast reflects the financing costs of the Capital programme but as some schemes still require business cases to be completed the running costs and benefits are not yet in the revenue forecast.
- That current service levels continue after allowing for the enhancements and efficiencies identified.
- Provision has been made for future growth in Refuse & Recycling and Street Cleaning service to reflect new housing growth.
- Pension scheme costs, as discussed in **Section 3** the costs of the actuarial valuation of the pension fund are being smoothed in with cost increases of £175k in both 2021/22 and 2022/23.
- Homelessness. There has been considerable difficulty in containing the increased costs arising from the Council's statutory housing duties. The initiatives proposed in the capital programme and the revenue enhancements are expected to improve outcomes. The forecast does not include additional costs or savings after 2020/21 given the risk of increased demand arising from factors that are outside the Council's control offsetting revenue improvements.
- The development of an access road across Baddow Road car park to Waterside will have a detrimental impact on the Council's car parking income, however, this is likely to be temporary and is not included in the forecast. The cost when identified will need to be met from Reserves and will be the subject of a future report to Council.

**Table 8 - Usable Reserves Projections**

	2019/20			2020/21			2021/22			2022/23		
	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1 Cultural Support 'Fund'	154		154	154		154	154		154	154		154
2 Chelmsford development	0	contribution	0	0	contribution	0	0	contribution	0	0	contribution	0
3 Future Replacement of assets	0	fully spent	0	0	fully spent	0	0	fully spent	0	0	fully spent	0
4 Digital Strategy reserve	76	-76	0	0		0	0		0	0		0
5 Growth fund	97	-12	85	85		85	85	-50	35	35	-35	0
6 Insurance	809	200	1,009	1,009		1,009	1,009		1,009	1,009		1,009
7 Local Development Framework	272	243	515	515	-191	324	324	-191	133	133	-133	0
8 Pension deficiency	1,163	2,399	3,562	3,562	-2,136	1,426	1,426	717	2,143	2,143	892	3,035
9 Park and Ride	178		178	178		178	178		178	178		178
10 Hylands House Reserve	18		18	18		18	18		18	18		18
11 Housing Initiatives			0	0	150	150	150		150	150		150
12 DPO Reserve		150	150	150	500	650	650		650	650		650
13 Project Evaluation Resrve			0	0	390	390	390		390	390		390
14 Carry forwards	149	-99	50	50	-50	0	0		0	0		0
	0		0	0		0	0		0	0		0
Total Earmarked Reserves	2,916	2,805	5,721	5,721	-1,337	4,384	4,384	476	4,860	4,860	724	5,584
15 General Fund	4,693	-411	4,282	4,282	216	4,498	4,498		4,498	4,498	0	4,498
16 Contingency	3,491	-450	3,041	3,041		3,041	3,041		3,041	3,041		3,041
	8,184	-861	7,323	7,323	216	7,539	7,539	0	7,539	7,539	0	7,539
Total other reserves	11,100	1,944	13,044	13,044	-1,121	11,923	11,923	476	12,399	12,399	724	13,123
<b>Not Available to Support Spend, until financial year end when the actual position is determined.</b>												
17 Business Retention reserve	37	857	894	894	1,746	2,640	2,640	-894	1,746	1,746		1,746

**Reserves - Purpose and Delegation**

	Purpose	Delegation
1 Cultural Support 'Fund'	To contribute to Cultural Services costs	Relevant Director & Cabinet member
2 Chelmsford development	To support the ongoing development of the Chelmsford City area. New Homes Bonus plus other expected one off income will be added to the reserve	Director of Finance & cabinet member for a Fairer Chelmsford
3 Future Replacement of assets	These are funds from revenue set aside to finance capital expenditure and one off revenue costs of capital schemes	Director of Finance as part of year end capital financing process
4 Digital Strategy reserve	Reserve closed down at end of 2019/20	Relevant Director & Cabinet member
5 Growth fund	Funding Held for Strategic Planning issues	Relevant Director & Cabinet member
6 Insurance	To meet losses and policy excesses where more appropriate to insure internally than externally.	Relevant Director & Cabinet member
7 Local Development Framework	To meet expenditure on the LDF	Relevant Director & Cabinet member

Reserves - Purpose and Delegation		
	Purpose	Delegation
8 Pension deficiency	To support the financing of the annual deficiency payments on the pension fund. To fund one off staff costs e.g. flexible retirements, redundancy.	Chief Executive, Director of Corporate Services for one off staff costs.
9 Park and Ride	Contingency to smooth management contract costs of Park and Ride	Relevant Director & Cabinet member
10 Hylands House Reserve	To contribute to Hylands House and Estate costs	Relevant Director & Cabinet member
11 Housing Initiatives	To establish funding to undertake initial stages of projects that may not be capital costs.	Director of Finance & Cabinet member
12 DPO Reserve	The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process and an additional sum is made available to support the work, subject to the success of pilot schemes	Chief Executive
13 Project Evaluation Resrve	The capital programme includes scheme which require further feasibility and business work, so this reserve enables production of robust business plans	Director of Finance & Cabinet member
14 Carry forwards	These are working balances arising from the carry forward policy, set out in financial regulations	Relevant Director & Cabinet member
15 General Fund	These are uncommitted working balances to meet the unforeseen needs of the Council.	Normal Supplementary estimate rules (within constitution)
16 Contingency	To cover temporary income and expenditure fluctuations (including Business Rates )	Cabinet
17 Business Retention reserve	To meet one off costs arising from Business Rate Retention scheme	To be used by Director of Finance as part of the annual closure of the Business Rate

TABLE 9 - Medium Term Financial Forecast						
Variances from 2019/20	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	Comments
<b>Year on Year Changes in Budget</b>						
<b>+Increased costs or less income/ -reduced cost or additional income</b>						
<b>Changes from Central Government and Local Taxes</b>						
Council Tax Increase	-340					
Government Settlement Funding Change	-55					
Negative RSG assumption		250	250	250	250	Government has not removed the ongoing risk
Business Rate Retention	-24	200				Govt review of scheme is likely to reduce income
Tax base Growth	-306	-155	-155	-155	-155	Tax base up from 66,672 to 68,251 increase of 1579 properties
<b>Cost of Capital</b>						
Minimum Revenue Provision (existing £200k)	-120	276	11	51	68	Based on MRP policy in capital & investment strategy and capital programme
Interest Earning (net of internal borrowing)	48	25	25	70	70	Internalise debt & reassessment of projected cash holdings
<b>Service Cost Variations</b>						
Inflation - Pay	634	646	659	676	690	A yearly 2% pay award is assumed
Utility Costs	146	30	31	32	33	
NNDR (Business Rates)	136	40	41	42	43	
Inflation - Income	-615	-248	-596	-280	-654	A 2% income increase except Car Parking -see below
Homelessness & Prevention Service	215					188 case load end of 2020/21
Housing Benefit Subsidy Loss	72					188 case load end of 2020/21
Enterprise Resource Planner (ERP)	67					The costs are for the financial management modules of the ERP
Commercial Property Rental Income	150					Reduction in High Chelmer rents & no further rental income from the Green Triangle land
Digital Services	291					Recognition of ongoing costs contained in 2019/20 budget
Hylands House	61					Realignment of budgets for Events, Weddings and Venue Hire activities
Property disposals (rent forgone)	126					
Maintenance (tree and building)	42					
Court Costs Income Council Tax	35					
Licences - Leisure	27					Performing rights for playing of music
CIL (administration fee) & planning income	-88					
Riverside	47					Higher staffing than anticipated - Life Guard and Cleaning
Hylands Festival	80					Expected income is reduced
Pension Valuation		175	175			Result of Actuarial Valuation
Car parking charges	-524					This is the increase above inflation
City Growth	165			70	70	Street Care and Recycling & Waste Services
Growth	253					See Section 4
Savings	-562	-120	-80			See Section 3
Other	39					
<b>Annual Budget Shortfall</b>	<b>0</b>	<b>1,119</b>	<b>361</b>	<b>756</b>	<b>415</b>	
<b>Cumulative Budget Shortfall</b>		<b>1,119</b>	<b>1,480</b>	<b>2,236</b>	<b>2,651</b>	

## **Section 7**

### **Risks & Robust Budget**

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

##### **Introduction**

The Local Government Act 2003 (Section 25) places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered, and the council tax is set, on the robustness of the budget estimates and the adequacy of the financial reserves. 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 its overall financial standing.

##### **Financial Management Arrangements**

The Council has enhanced its system of budget monitoring and financial control during 2019/20, 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. Where budget variances have arisen, prompt management actions are identified to minimise any adverse effect and enable early corrective action to be put in place where relevant.

The budget process for 2020/21 included informal discussions and workshop sessions with Cabinet Members and their Deputies in order to ascertain the priorities for the budget, and to understand cost drivers, demand pressures and the underlying assumptions contained within the budget, such as inflation, interest rates and the cost of borrowing.

Cabinet Members also supplied an additional layer of budget challenge to the process, through meetings with their Directors and Service Managers, to explore opportunities for efficiencies, cost reduction or income generation. The Council's Management Team has reviewed and challenged the budget at various stages throughout its construction, including the reasonableness of the key budget assumptions, such as estimates of inflationary and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for.

The budget has been prepared within the terms of the Medium-Term Financial Strategy and in consideration of the key financial risks identified.

In recent years, there has been a growing trend to increase the range of tools available to Council's to assess, and where necessary, improve their financial management. The Chartered Institute for Public Finance and Accountancy (CIPFA) has developed a Financial Management Code, designed to support good practice in financial management by setting out a series of principles supported by specific standards and statements of good practice. The Council will carry out a self-assessment against the new Code and create an action plan if required to meet the over-arching principles. CIPFA have also recently released a Resilience Index which allows authorities to view their position in respect of a range of indicators of financial risk. While such tools can be blunt instruments, which do not take account of local circumstance, they are nevertheless a useful starting point for provoking internal challenge.

The Council continues to meet requirements to produce what has now become a suite of financial management reporting, including the budget report, Medium-Term Financial Strategy, Capital and Investment Strategy and Treasury Management Strategy, and 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 MHCLG Investment Guidance.

Reporting against this framework is undertaken via the budget monitoring process referred to earlier in this section and through the external review of the financial statements of the Council and its arrangements to secure economy, efficiency and effectiveness in its use of resources (value for money conclusion) from the Council's external auditors and is supported by the Performance review work of the Overview and Scrutiny Committee, the Treasury Management sub-committee and the recently refreshed Risk Management process.

I consider the financial management arrangements of the Council to be sufficiently robust to maintain adequate and effective control of the budget for 2020/21.

### **Financial and Economic Environment, Risks and Assumptions**

On the face of it, Chelmsford has done well out of the Local Government Finance Settlement, with its headline figure of "core spending power" increasing by 6.2%, far in excess of the average 3.4% for Shire Districts and closer to the average increase for English local authorities as a whole (6.3%) and to increases seen by Counties (7.2% for Counties with responsibility for fire and rescue services/6.9% without), Metropolitan Councils (6.7%), London Boroughs (6.5%) and Unitary Councils (6.5% with fire/6.7% without).

When we look beyond the headlines, however, we see that the largest percentage increase is from grant income, the majority of which is New Homes Bonus. Council Tax assumptions have been built into the core funding measurement and already assumes both a tax base increase and a rate increase up to the £5 maximum permissible level before triggering a referendum, while baseline funding from government has increased by just 1.6%.

#### **Core Spending Power (£m)**

	2019/20	2020/21	change
<b>Core Spending Power</b>	20.213	21.463	6.2%
Of which:			
Settlement Funding Assessment	3.353	3.408	1.6%
Assumed Council Tax	12.936	13.492	4.3%
Other grants	3.924	4.563	16.3%

The risks inherent in the funding announcement are multi-fold and many have been touched upon in other sections of this report. First and foremost is the continued uncertainty provided by just a single-year Settlement, exacerbated by the lack of information on progress with the Fair Funding review, scheduled for introduction in 2021/22, which could see seismic shifts in the redistribution of funding between authorities, based on a major overhaul of the mechanism for assessing their relative needs. The move to a 75% Business Rates Retention Scheme, instead of the current 50% split with Government, is also intended to commence in 2021/22 – with one of the major factors at play being whether the baselines for business rates growth will be reset within the system, potentially wiping out gains to date. The New Homes Bonus Scheme is also set for review, with 2020/21 allocations being announced for a single year payment instead of being payable for 4 years as per previous allocations. While Chelmsford City Council has reaped the benefits of New Homes Bonus by supporting and facilitating local housing growth, it is difficult to predict what future changes to the scheme may mean locally. Outside of core spending power, funding streams for homelessness support and prevention have been announced but once again, are for a single year with no certainty as to future allocations or mechanisms for distribution.



This uncertain future funding position, the wider economic climate, and the playing out of economic factors locally, are key considerations in assessing the robustness of the estimates contained within the budget report and the adequacy of the Council's reserves.

The Council continues to seek other forms of funding and has an excellent track record in securing grant from a variety of sources such as Homes England (Housing Infrastructure Fund), MHCLG (Rough Sleeper Initiatives, Rapid Rehousing Pathway), National Lottery Heritage Fund and many others. However, it is important that any one-off funding is used to provide additional services over and above that provided by core delivery or to provide one-off enhancements to assets, rather than to form any part of funding for on-going service delivery.

Financial Risk within the budget has been mitigated by using New Homes Bonus to support capital spend via the Chelmsford Development Reserve or to create new reserves to support project evaluation, feasibility studies or the production of business cases, further enhancing the financial management processes described in the previous section. In addition, sums have been set aside to support the Digital Portfolio Office (DPO), in order to drive technological change from within the business and build on the infrastructure already in place. Subject to a successful pilot period, the DPO is expected to deliver on-going revenue savings or efficiencies in service delivery, adding to the financial sustainability of the Council moving forward.

Risk is further mitigated by holding back income from the Business Rates Retention Scheme until it is certain and not building it into base budgets at the start of the year. Business Rates income can be volatile and heavily affected by national and local economic conditions and assumptions around appeals against business rates, which can take years to unwind and require the Council to set aside sums to settle current and future appeals.

Complex assumptions are incorporated into the estimates for Business Rates income and the provision for appeals, as well as provision for bad debts across wider service areas including Council Tax and Benefits. Other assumptions within the budget include pay assumptions, pension valuations, inflation assumptions and interest rate assumptions. These are based on expert knowledge both within and outside of the Council, using experts where necessary and incorporating data from the Bank of England, central government statistics and other sources. Assumptions around demand levels are based on the professional expertise and local knowledge of service managers, within the local economic and demographic context, and take account of the continuing growth of the City area. Income budgets are set having due regard to demand constraints, affordability, cost inflation pressures, trend analysis and strategic aims. Income budgets are further analysed to assess the reliance on any individual income stream and to take measures to avoid over-reliance on any one area. A contingency reserve provides a safety net for sudden loss of income, allowing time for the Council to react to unforeseen changes and take corrective action.

Further detail on the assumptions used in the budget are set out in **Section 3** of the budget report.

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

### **Level of Reserves and overall Financial Standing**

In past years, councils have been criticised for holding too high a level of reserves but more recently, given the increased awareness of the potential for local government failure, there has been greater emphasis on financial sustainability, which requires holding a "reasonable" level of reserves. What is reasonable will be dependent on local circumstances and there is no mandated minimum level set by regulators. There is a balance to be struck between holding reserves, and

the interest receipt that this may bring, and the opportunity cost of the services that might otherwise be provided.

The Council's Medium-Term Financial Strategy set a target for its unallocated reserves (General Fund and Contingency) of 5% of its gross revenue expenditure (around £7m) whilst recognising that the level held will fluctuate over time as it adjusts to short-term pressures in the revenue budget. In addition, the Council holds a number of reserves to provide for future expenditure such as pension deficit payments and asset replacement 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.

The Council has a good track record for delivering its budget commitments and making prudent financial provision against risk and for future expected spending plans. Its Capital spending plans have been supported by its use of capital receipts from the large-scale voluntary transfer of its housing stock in 2002, through receipts from other appropriate asset sales, its use of grant funding and other contributions. As past capital receipts inevitably dwindle as they are invested within the City, the Council will make use of borrowing powers to support future capital spending. Initially, it will look to borrow internally, using cash reserves to fund capital expenditure, before moving to external borrowing from the Public Works Loan Board, other local authorities or other approved counterparties. More detail on this is set out in the Treasury Management Strategy 2020/21 and the Capital and Investment Strategy 2020/21. While the Capital Programme over the medium-term is an ambitious one, the cost of any borrowing to fund this programme is prudent and affordable within the terms of the Prudential Code of Capital Finance and for 2020/21 can be met from the revenue budget as set out in the report. However, as decisions made now can affect the Council for many years to come, in terms of interest payment and provision for repayment of borrowing, it is important to ensure that the on-going effect of borrowing is affordable in future years.

The updated Medium-Term Financial Forecast set out on **section 6**, provides a high-level summary of estimated changes to income and expenditure over the next 5 years. With cost pressures, inflation and assumptions about central funding out-stripping cost reductions and additional income estimated over the period, a potential budget gap of some £2.7m is projected by 2024/25. This forecast contains no assumptions about future council tax rises beyond 2020/21 but equally does not build in any service enhancement other than that necessary to continue to provide existing levels of service (e.g. pay inflation, city growth). While the 2020/21 budget preparation successfully identified sufficient savings to balance the budget in-year, further work needs to be undertaken to identify net savings for the years ahead. Work will commence early in the new financial year to agree a process for the identification and delivery of a savings and efficiency plan, which will build on the work already being piloted under the Digital Portfolio office and which will take forward learning points from that process. This will then be embedded into the next Medium-Term Financial Strategy review.

I consider the level of reserves presented in the budget estimates to be adequate to support the on-going financial sustainability of the Council. Early identification of future net savings (cost reductions or increased income generation) are essential to support the sound financial standing of the Council.

## **Conclusions**

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.

Amanda Fahey - Director of Financial Services/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 £13m 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 does share in the business rates raised locally, 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 rate retention scheme the Council does receive 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 locally offer reductions in business rate paid but at the Council's cost.

This section identifies the issues arising from Business Rates and Council Tax when setting the Council Budgets for 2020/21.

#### **Council Tax Referendums**

The Government has announced that Council Tax increases not exceeding the greater of 2% or £5 for District authorities will not be subject to a local referendum.

#### **Council Tax, Parish Grant & Special Expenses Proposal 2020/21**

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 2020/21 is 68,251.65.

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 10**

	2019/20	2020/21	Increase	Increase
	£	£	£	%
Chelmsford City Council	194.02	199.00	4.98	2.57%
Essex County Council	1,270.44	1,321.11	50.67	3.99%
Police -Essex	192.96	198.63	5.67	2.94%
Fire & Rescue – Essex	72.45	73.89	1.44	1.99%
	1,729.87	1,792.63	62.76	
Parish and Town Councils (average)	38.09	38.56	0.47	1.23%
<b>TOTAL</b>	1,767.96	1,831.19	63.23	3.57%

Special Expenses and Parish/Town precepts are in **Table 11**

A formal Council Tax resolution is produced annually and the Council has to approve this document to set a legal Council Tax.

The Average Band D Council Tax for Chelmsford City for 2020/21 is £199.00

Collection fund surplus/deficit: As part of the formal budget setting process, the Council is required to estimate each year the expected 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, 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. The Council Tax Surplus for 2020/21 is £100k, this is already included within the budget.

**Business Rate Surplus or Deficit**

To meet the legal requirements when setting the budget for 2020/21 the Council is required to declare by the 31<sup>st</sup> January 2020 a Business Rate Retention Surplus or Deficit, after submitting a return (NDR1) to Government. The Business Rate Retention figures contained in this report reflect the NDR1 position (Cabinet January 2020 included provisional figures). The estimated Business Rate retention income for 2020/21 is made up of a deficit relating to prior years of £737k, however, income for 2020/21 is anticipated to be £1,790k above the baseline plus expected income from the Business Rate pool in 2020/21 is £893k, giving a net income from Business Rate Retention of £1,946k in 2020/21.

**CHARGES TO PARISH AND TOWN COUNCIL AREAS**

**TABLE 11**

PARISH/ TOWN COUNCIL	2019/20								2020/21							
	<-- PARISH PRECEPTS -->			<----- BAND D EQUIVALENTS ----->					<-- PARISH PRECEPTS -->			<----- BAND D EQUIVALENTS ----->				
	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes
	(1) £	(2) £	(3) £	£	(5) £	£	(4) £	(6) £	(1) £	(2) £	(3) £	£	(5) £	£	(4) £	(6) £
Great Baddow	421,417	181	421,598	165.69	13.41	179.10	77.94	257.04	434,319	219	434,538	171.27	13.41	184.68	79.56	264.24
Little Baddow	44,712	21	44,733	165.69	13.77	179.46	51.57	231.03	46,053	2	46,055	171.27	13.59	184.86	52.83	237.69
Boreham	88,725	6	88,731	165.69	11.70	177.39	68.40	245.79	89,950	18	89,968	171.27	11.16	182.43	65.61	248.04
Broomfield	131,014	-47	130,967	165.69	16.38	182.07	55.44	237.51	139,316	-20	139,296	171.27	15.30	186.57	55.44	242.01
Chignal	7,385	8	7,393	165.69	14.31	180.00	32.22	212.22	7,600	8	7,608	171.27	11.16	182.43	26.28	208.71
Danbury	205,156	104	205,260	165.69	5.94	171.63	85.05	256.68	212,481	68	212,549	171.27	6.03	177.30	87.57	264.87
Galleywood	103,401	-42	103,359	165.69	24.39	190.08	49.23	239.31	106,214	-75	106,139	171.27	24.21	195.48	50.22	245.70
Good Easter	9,544	1	9,545	165.69	4.50	170.19	55.35	225.54	10,700	2	10,702	171.27	4.50	175.77	62.01	237.78
East Hanningfield	34,835	-18	34,817	165.69	11.16	176.85	71.10	247.95	35,703	15	35,718	171.27	11.25	182.52	72.00	254.52
South Hanningfield	84,152	-15	84,137	165.69	4.23	169.92	71.28	241.20	86,500	0	86,500	171.27	4.32	175.59	72.63	248.22
West Hanningfield	23,300	-10	23,290	165.69	16.65	182.34	50.67	233.01	26,828	-10	26,818	171.27	15.93	187.20	56.07	243.27
Highwood	25,515	1	25,516	165.69	12.69	178.38	80.55	258.93	31,851	7	31,858	171.27	12.60	183.87	100.17	284.04
Great & Little Leighs	30,000	40	30,040	165.69	26.91	192.60	28.26	220.86	30,000	-6	29,994	171.27	25.02	196.29	26.28	222.57
Margaretting	12,420	-6	12,414	165.69	15.21	180.90	32.76	213.66	12,420	-12	12,408	171.27	14.76	186.03	32.04	218.07
Mashbury	0	0	0	165.69	9.99	175.68	0.00	175.68	0	0	0	171.27	9.63	180.90	0.00	180.90
Pleshey	7,506	3	7,509	165.69	19.44	185.13	54.45	239.58	7,506	6	7,512	171.27	19.26	190.53	54.09	244.62
Rettendon	36,144	25	36,169	165.69	12.87	178.56	47.25	225.81	41,494	-15	41,479	171.27	15.21	186.48	53.82	240.30
Roxwell	15,000	17	15,017	165.69	1.53	167.22	32.40	199.62	15,000	-15	14,985	171.27	1.53	172.80	31.41	204.21
Runwell	89,538	42	89,580	165.69	2.97	168.66	53.55	222.21	100,450	79	100,529	171.27	2.79	174.06	56.16	230.22
Sandon	31,933	-29	31,904	165.69	26.37	192.06	44.28	236.34	33,530	31	33,561	171.27	25.11	196.38	44.46	240.84
Springfield	383,146	-149	382,997	165.69	36.00	201.69	50.31	252.00	387,242	-349	386,893	171.27	34.56	205.83	49.23	255.06
Stock	43,696	-5	43,691	165.69	12.96	178.65	37.26	215.91	44,790	35	44,825	171.27	12.60	183.87	37.53	221.40
Great Waltham	46,000	-18	45,982	165.69	15.93	181.62	50.22	231.84	49,898	36	49,934	171.27	15.39	186.66	53.01	239.67
Little Waltham	35,714	-3	35,711	165.69	18.36	184.05	54.81	238.86	44,102	-1	44,101	171.27	14.85	186.12	54.81	240.93
South Woodham Ferrers	428,885	-215	428,670	165.69	29.43	195.12	70.92	266.04	428,187	78	428,265	171.27	29.16	200.43	70.38	270.81
Woodham Ferrers & Bicknacre	74,610	38	74,648	165.69	4.14	169.83	61.29	231.12	77,610	29	77,639	171.27	4.23	175.50	62.91	238.41
Writtle	126,115	-19	126,096	165.69	11.25	176.94	63.27	240.21	132,100	5	132,105	171.27	10.26	181.53	65.34	246.87
Town Centre (non-Parished area)				165.69	43.47	209.16	0.00	209.16				171.27	43.02	214.29	0.00	214.29
<b>TOTALS</b>	<b>2,539,863</b>	<b>-89</b>	<b>2,539,774</b>						<b>2,631,844</b>	<b>135</b>	<b>2,631,979</b>					
	.....	.....	.....						.....	.....	.....					
<b>AVERAGE</b>						<b>194.02</b>	<b>38.09</b>	<b>232.11</b>						<b>199.00</b>	<b>38.56</b>	<b>237.56</b>
																.....

**NOTES**

- (1) The total amount that the Parish/ Town Council intend to spend in the year.
- (2) An adjustment to make the Parish/Town precept divisible by 9 for Council Tax charging purposes.
- (3) The rounded Parish/ Town Council precept that is charged to the parishioners of the Parish.
- (4) The net Parish/ Town Council precept expressed as a charge to the average parish Band D property.
- (5) The actual amount spent on Special Expense items by the City Council in individual Parish/ Town Council areas, expressed as a charge on the average Band D property.
- (6) The total charge in individual Parish/ Town Council areas for Parish/ Town Council expenditure (the Parish/ Town Council precept), and Special Expense items, expressed as a charge on the average Band D property.

## Section 9

### Revenue Budget Reports

#### Revenue Service Budgets

This section contains

1. Subjective Analysis of the Council Revenue Budget (**Table 12**)
2. A summary of the budget (**Table 13**)
3. Service Budgets (Expenditure and Income) for 2020/21 (**Table 14**)

**TABLE 12 - SUBJECTIVE ANALYSIS OF THE REVENUE BUDGET**

2018/19 Actual £000's		2019/20 Original £000's	2020/21 Estimate £000's
	<b>EXPENDITURE</b>		
32,215	Employees - Salaries	32,526	36,588
378	- Other	246	277
6,549	Premises	6,508	6,624
5,701	Supplies and Services	4,929	5,350
2,494	Transport and Plant	2,234	2,243
7,684	Third Party Payments	6,876	8,154
43,978	Benefit Payments	44,245	44,235
1,688	Miscellaneous	252	-
<b>100,688</b>	<b>TOTAL CONTROL EXPENDITURE</b>	<b>97,815</b>	<b>103,471</b>
	<b>INCOME</b>		
-43,673	Government Grants	-43,851	-43,871
-2,182	Other Grants and Reimbursements	-1,942	-2,131
-1,235	Sales	-1,232	-1,231
-24,354	Fees and Charges	-25,867	-27,239
-8,158	Rents	-9,020	-9,631
-2,059	Other	-543	-493
<b>-81,659</b>	<b>TOTAL CONTROL INCOME</b>	<b>-82,455</b>	<b>-84,595</b>
<b>19,029</b>	<b>NET CONTROL EXPENDITURE</b>	<b>15,360</b>	<b>18,876</b>
	<b>INTERNAL RECHARGES</b>		
21,969	Service Management and Overheads	23,929	25,174
-22,123	Recharges	-24,081	-25,341
<b>-154</b>		<b>-152</b>	<b>-168</b>
<b>18,875</b>	<b>SERVICE EXPENDITURE</b>	<b>15,208</b>	<b>18,708</b>
	<b>OTHER ITEMS</b>		
-815	Interest Receivable & Investment Income	-542	-494
26	Interest Payable & MRP	200	80
-1,903	Business Rate Retention Adjustment	-3,266	-1,946
15,026	Direct Revenue Financing of Capital	5,749	4,823
-3,379	New Homes Bonus & Other Govt Grants	-3,975	-4,706
<b>8,953</b>		<b>-1,834</b>	<b>-2,244</b>
	<b>USE OF RESERVES AND BALANCES</b>		
-11,985	Contributions - from / to Earmarked Reserves	3,377	410
-41	Contributions - from / to General Fund Balance	-515	216
<b>-12,027</b>		<b>2,862</b>	<b>626</b>
<b>15,802</b>	<b>BUDGET REQUIREMENT</b>	<b>16,236</b>	<b>17,090</b>
	<b>LESS GOVERNMENT SUPPORT</b>		
-3,278	Collection Fund (Surplus) / Deficit	-3,353	-3,408
-139		54	-100
<b>12,385</b>	<b>CALL ON COLLECTION FUND</b>	<b>12,936</b>	<b>13,582</b>

**TABLE 13 - SUMMARY OF REVENUE ESTIMATES**

2019/20 Original Estimate £'000	Original Estimates 2020/21	2020/21 Estimated Spend £'000	2020/21 Estimated Income £'000	2020/21 Net Estimate £'000
305	<b>Chief Executive</b>	330	0	<b>330</b>
8,289	<b>Connected Chelmsford</b>	10,607	-2,227	<b>8,380</b>
131	<b>Fairer Chelmsford - CDRM</b>	137	-332	<b>-195</b>
-114	<b>Fairer Chelmsford</b>	57,872	-54,524	<b>3,348</b>
-3,392	<b>Greener Chelmsford</b>	6,729	-10,648	<b>-3,919</b>
10,140	<b>Safer Chelmsford</b>	27,797	-16,865	<b>10,932</b>
<b>15,359</b>	<b>Service Expenditure</b>	<b>103,471</b>	<b>-84,595</b>	<b>18,876</b>
<b>Other General Fund Items</b>				
-154	- Charges to SEPP			<b>-168</b>
-542	- Interest Income			<b>-494</b>
200	- Minimum Revenue Provision			<b>80</b>
5,749	- Revenue Funding of Capital			<b>4,823</b>
-3,975	- Other Grants (including New Homes Bonus, Section 31 Grants)			<b>-4,706</b>
-3,266	- Business Rate Retention Scheme			<b>-1,946</b>
<b>Earmarked Reserves</b>				
-164	- Use of Carry Forward Reserves			<b>-50</b>
2,648	- Business Rates Retention Scheme Reserve			<b>1,746</b>
895	- Contributions to / -use of Other Earmarked reserves			<b>-1,286</b>
<b>16,750</b>	<b>Net Expenditure</b>			<b>16,874</b>
-515	Contribution to / -from Balances			<b>216</b>
<b>16,235</b>	<b>Budget Requirement</b>			<b>17,090</b>
-3,353	Baseline Retained Business Rates			<b>-3,408</b>
54	Council Tax Surplus			<b>-100</b>
<b>12,936</b>	<b>Income from Council Tax</b>			<b>13,582</b>



**TABLE 14 - SERVICE BUDGETS**

**CHIEF EXECUTIVE**

<b>2019/20 Original Estimate</b>		<b>2020/21 Estimated Spend £</b>	<b>2020/21 Estimated Income £</b>	<b>2020/21 Net Estimate £</b>
304,900	CHIEF EXECUTIVE	329,600	-	329,600
<b>304,900</b>		<b>329,600</b>	<b>-</b>	<b>329,600</b>
<b>304,900</b>		<b>329,600</b>	<b>-</b>	<b>329,600</b>

## CONNECTED CHELMSFORD

2019/20 Original Estimate		2020/21 Estimated Spend £	2020/21 Estimated Income £	2020/21 Net Estimate £
	<b>DIRECTOR OF CONNECTED CHELMSFORD</b>			
264,200	DIRECTOR OF CONNECTED CHELMSFORD	253,300	-	253,300
<b>264,200</b>		<b>253,300</b>	<b>-</b>	<b>253,300</b>
	<b>DIGITAL SERVICES</b>			
2,544,000	DIGITAL SERVICES	2,891,000	-49,200	2,841,800
<b>2,544,000</b>		<b>2,891,000</b>	<b>-49,200</b>	<b>2,841,800</b>
	<b>MARKETING AND ENGAGEMENT TEAM</b>			
758,000	CUSTOMER SERVICES	794,700	-	794,700
1,011,600	MARKETING & ENGAGEMENT AND SPECIAL EVENTS	1,304,600	-276,800	1,027,800
<b>1,769,600</b>		<b>2,099,300</b>	<b>-276,800</b>	<b>1,822,500</b>
	<b>HUMAN RESOURCES</b>			
898,300	HUMAN RESOURCES	815,300	-36,500	778,800
117,300	PAYROLL	128,500	-4,100	124,400
<b>1,015,600</b>		<b>943,800</b>	<b>-40,600</b>	<b>903,200</b>
	<b>LEGAL &amp; DEMOCRATIC SERVICES</b>			
629,700	LEGAL AND INFORMATION GOVERNANCE	747,100	-54,500	692,600
413,300	ELECTIONS	255,700	-33,100	222,600
747,500	DEMOCRATIC AND MEMBER SERVICES	777,800	-	777,800
<b>1,790,500</b>		<b>1,780,600</b>	<b>-87,600</b>	<b>1,693,000</b>
	<b>CULTURE</b>			
128,400	CULTURAL PARTNERSHIPS	191,600	-	191,600
201,900	THEATRES	1,720,100	-1,650,000	70,100
574,700	MUSEUM	727,100	-122,600	604,500
<b>905,000</b>		<b>2,638,800</b>	<b>-1,772,600</b>	<b>866,200</b>
<b>8,288,900</b>		<b>10,606,800</b>	<b>-2,226,800</b>	<b>8,380,000</b>

## FAIRER CHELMSFORD - CDRM

2019/20 Original Estimate		2020/21 Estimated Spend £	2020/21 Estimated Income £	2020/21 Net Estimate £
131,100	CORPORATE & DEMOCRATIC MANAGEMENT	136,900	-332,000	-195,100
<b>131,100</b>		<b>136,900</b>	<b>-332,000</b>	<b>-195,100</b>
<b>131,100</b>		<b>136,900</b>	<b>-332,000</b>	<b>-195,100</b>

## FAIRER CHELMSFORD

2019/20 Original Estimate		2020/21 Estimated Spend £	2020/21 Estimated Income £	2020/21 Net Estimate £
	<b>DIRECTOR OF FINANCIAL SERVICES</b>			
173,600	DIRECTOR OF FINANCE	177,200	-4,400	172,800
762,000	FINANCE CORPORATE COSTS	3,417,800	-5,000	3,412,800
<b>935,600</b>		<b>3,595,000</b>	<b>-9,400</b>	<b>3,585,600</b>
	<b>ACCOUNTANCY, SYSTEMS &amp; EXCHEQUER</b>			
291,100	FINANCE EXCHEQUER	303,700	-	303,700
594,200	ACCOUNTANCY	722,900	-	722,900
<b>885,300</b>		<b>1,026,600</b>	<b>-</b>	<b>1,026,600</b>
	<b>PROCUREMENT, RISK &amp; INSURANCE</b>			
154,300	PROCUREMENT	162,600	-	162,600
314,000	VOLUNTARY GRANTS	290,000	-	290,000
129,400	INSURANCE & RISK	141,800	-	141,800
50,300	FRAUD INVESTIGATIONS	55,200	-	55,200
<b>648,000</b>		<b>649,600</b>	<b>-</b>	<b>649,600</b>
	<b>AUDIT</b>			
215,100	INTERNAL AUDIT	185,000	-	185,000
<b>215,100</b>		<b>185,000</b>	<b>-</b>	<b>185,000</b>
	<b>PROPERTY SERVICES</b>			
-5,228,700	PROPERTY HOLDINGS	238,800	-5,279,600	-5,040,800
330,900	SUPPORT SERVICES	405,500	-2,000	403,500
<b>-4,897,800</b>		<b>644,300</b>	<b>-5,281,600</b>	<b>-4,637,300</b>
	<b>BENEFITS &amp; REVENUES</b>			
152,900	REVENUES	832,600	-620,600	212,000
516,400	HB ADMINISTRATION	1,009,700	-537,700	472,000
230,300	HB CONTROL & DEVELOPEMENT	255,800	-	255,800
-310,600	HB SUBSIDY	44,235,000	-44,473,200	-238,200
<b>589,000</b>		<b>46,333,100</b>	<b>-45,631,500</b>	<b>701,600</b>
	<b>HOUSING SERVICES</b>			
95,200	HOUSING ADVICE	343,100	-181,600	161,500
303,700	TEMPORARY ACCOMMODATION	3,747,900	-3,354,200	393,700
15,000	HOUSING ALLOCATIONS	33,000	-12,000	21,000
193,000	RENT DEPOSIT SCHEME	254,500	-10,000	244,500
904,100	SUPPORT SERVICES	1,059,700	-43,400	1,016,300
<b>1,511,000</b>		<b>5,438,200</b>	<b>-3,601,200</b>	<b>1,837,000</b>
<b>-113,800</b>		<b>57,871,800</b>	<b>-54,523,700</b>	<b>3,348,100</b>

## GREENER CHELMSFORD

2019/20 Original Estimate		2020/21 Estimated Spend £	2020/21 Estimated Income £	2020/21 Net Estimate £
	<b>DEVELOPMENT MANAGEMENT</b>			
568,100	DEVELOPMENT MANAGEMENT	2,026,800	-1,414,300	612,500
-88,200	LOCAL LAND CHARGES	138,400	-219,700	-81,300
<b>479,900</b>		<b>2,165,200</b>	<b>-1,634,000</b>	<b>531,200</b>
	<b>ECONOMIC DEVELOPMENT AND IMPLEMENTATION</b>			
279,900	ECONOMIC DEVELOPMENT & IMPLEMENTATION	558,100	-310,000	248,100
<b>279,900</b>		<b>558,100</b>	<b>-310,000</b>	<b>248,100</b>
	<b>BUILDING CONTROL</b>			
94,700	BUILDING CONTROL	595,400	-472,500	122,900
<b>94,700</b>		<b>595,400</b>	<b>-472,500</b>	<b>122,900</b>
	<b>PLANNING POLICY</b>			
718,700	PLANNING POLICY	958,000	-300	957,700
<b>718,700</b>		<b>958,000</b>	<b>-300</b>	<b>957,700</b>
	<b>CAR PARK OPERATIONS</b>			
-5,018,600	CAR PARKS	1,960,500	-7,828,300	-5,867,800
109,800	PARKING SUPPORT	136,700	-	136,700
-56,400	PARK AND RIDE	355,200	-402,600	-47,400
<b>-4,965,200</b>		<b>2,452,400</b>	<b>-8,230,900</b>	<b>-5,778,500</b>
<b>-3,392,000</b>		<b>6,729,100</b>	<b>-10,647,700</b>	<b>-3,918,600</b>

## SAFER CHELMSFORD

2019/20 Original Estimate		2020/21 Estimated Spend £	2020/21 Estimated Income £	2020/21 Net Estimate £
<b>OPERATIONS</b>				
1,972,200	WASTE & GARDEN COMPOSTING	2,456,400	-509,700	1,946,700
-463,400	TRADE WASTE	1,012,700	-1,526,400	-513,700
242,500	RECYCLING	3,630,200	-3,025,500	604,700
381,000	VEHICLE MAINTENANCE WORKSHOP	471,500	-63,200	408,300
<b>2,132,300</b>		<b>7,570,800</b>	<b>-5,124,800</b>	<b>2,446,000</b>
<b>STREET CARE AND PERFORMANCE</b>				
151,400	PUBLIC CONVENIENCES	159,200	-	159,200
-199,900	MARKET	411,000	-593,700	-182,700
1,530,000	STREET CLEANING	1,709,700	-84,000	1,625,700
102,000	STREET SERVICES	211,800	-103,800	108,000
194,700	SERVICE DEVELOPMENT TEAM & NICE	184,800	-	184,800
272,400	FREIGHTER HOUSE DEPOT	276,100	-5,000	271,100
971,300	CUSTOMER & BUSINESS SUPPORT	1,002,500	-	1,002,500
<b>3,021,900</b>		<b>3,955,100</b>	<b>-786,500</b>	<b>3,168,600</b>
<b>BUILDING SERVICES</b>				
474,900	BUILDING SERVICES - SUPPORT	504,200	-	504,200
1,151,100	BUILDING SERVICES - PROPERTIES	1,350,200	-183,100	1,167,100
251,300	ENERGY & CONTRACT MANAGEMENT	243,800	-	243,800
80,600	PRINT UNIT	96,400	-12,000	84,400
<b>1,957,900</b>		<b>2,194,600</b>	<b>-195,100</b>	<b>1,999,500</b>
<b>PUBLIC HEALTH AND PROTECTION SERVICES</b>				
47,800	HIGHWAYS	41,900	-	41,900
-4,100	SCIENTIFIC	36,900	-43,000	-6,100
-218,900	LICENSING	173,800	-379,200	-205,400
-3,600	BUSINESS COMPLIANCE	7,600	-12,500	-4,900
18,800	PUBLIC HEALTH PROTECTION	117,400	-90,000	27,400
27,600	HEALTH & SAFETY	27,600	-	27,600
-5,100	PEST CONTROL	18,500	-23,600	-5,100
1,391,100	PUBLIC HEALTH & PROTECTION SUPPORT	1,470,900	-26,600	1,444,300
264,700	CCTV	375,000	-95,800	279,200
107,300	COMMUNITY SAFETY	136,700	-27,300	109,400
10,600	HOUSING STANDARDS	46,400	-36,500	9,900
5,000	ANIMAL WELFARE	16,200	-14,600	1,600
<b>1,641,200</b>		<b>2,468,900</b>	<b>-749,100</b>	<b>1,719,800</b>
<b>PARKS AND GREEN SPACES</b>				
-5,300	ALLOTMENTS	16,600	-23,600	-7,000
484,000	CUSTOMER & BUSINESS SUPPORT	509,600	-	509,600
40,000	HYLANDS PARK & ESTATE	79,200	-34,200	45,000
106,000	PARKS GARDENS & RECREATION GROUNDS	128,100	-48,300	79,800
123,400	PLAY AREAS	126,400	-	126,400
-57,700	PARKS EVENTS & ACTIVITIES	1,300	-65,400	-64,100
-95,500	OUTDOOR SPORTS & PLAYING FIELDS	270,600	-367,500	-96,900
76,800	TREE INSPECTION & MAINTENANCE	104,000	-3,700	100,300
-5,900	NATURAL&SEMI NATURAL GREEN SPACE, COMMON	15,400	-27,000	-11,600
-900	AMENITY GREEN SPACE&OTHER GREEN INFRASTR	177,600	-178,600	-1,000
1,968,100	GROUND MAINTENANCE OPERATIONS	2,513,800	-456,700	2,057,100
177,800	GROUND MAINTENANCE - CREMATORIUM	185,100	-	185,100
-1,462,900	CEMETERY AND CREMATORIUM	592,200	-2,057,500	-1,465,300
<b>1,347,900</b>		<b>4,719,900</b>	<b>-3,262,500</b>	<b>1,457,400</b>
<b>LEISURE AND HERITAGE SERVICES</b>				
-25,700	DOVEDALE SPORTS CENTRE	188,500	-216,800	-28,300
193,700	CHELMSFORD SPORTS AND ATHLETIC CENTRE	827,800	-569,400	258,400
-566,000	RIVERSIDE ICE AND LEISURE	3,272,900	-3,735,600	-462,700
340,000	SOUTH WOODHAM FERRERS LEISURE CENTRE	1,096,200	-716,000	380,200
-	EVENTS	-	-210,000	-210,000
255,800	COMMUNITY SPORTS & WELLBEING	368,400	-109,300	259,100
-158,500	HYLANDS HOUSE & VISITORS CENTRE	1,134,100	-1,190,100	-56,000
<b>39,300</b>		<b>6,887,900</b>	<b>-6,747,200</b>	<b>140,700</b>
<b>10,140,500</b>		<b>27,797,200</b>	<b>-16,865,200</b>	<b>10,932,000</b>

## Section 10

### Capital Budget Reports

#### Capital Budgets

This section contains:

- Revisions to Existing Approved Capital Schemes—Details in **Table 15** and **Table 16**
- Revisions to the Asset Replacement Programme 2019/20 and proposals for new budgets for 2020/21 – Details in **Table 17** and **Table 18**

#### **Introduction**

The capital programme for 2019/20 identified in **Section 10** of this report reflects updated information in December 2019.

Capital schemes have in most cases two types of cost. One off, those which result from procuring or improving an asset and are funded from capital and On-going, those incurred to run the asset and these must be funded from Council Tax i.e. revenue costs.

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.

#### Existing Approved Capital Schemes

Project Officers have been monitoring schemes and the updated budgets in **Table 15** reflect the latest estimated cost information. The total estimated cost is £84.853m.

A summary of variations for the current approved total scheme costs across all years is a net increase of £1.583m. Proposed increases in budget will require approval. Details of the £1.583m net increase are shown in **Table 15** with further details in **Table 16** where those variations are in excess of £25k.

#### 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.

#### 2019/20 Asset Replacements

**Table 17** provides details of the 2019/20 asset replacement programme. The current approved programme is £4.178m. It has now been identified that £714k is required to be rephased to

2020/21, due to services deferring or delays in acquiring the assets. These assets require approval to be rephased to 2020/21. Details of these delays are provided in **Table 18**.

**Table 17** also shows a net change in scheme costs, a net increase of £111k. Increases to individual budgets will require approval. **Table 18** provides further details for those variations in excess of £25K.

After allowing for the above adjustments, **Table 17** shows the total proposed budget requirement for 2019/20 as £3.353m.

#### 2020/21 Replacements

As stated above £714k will need to be rephased from 2019/20 to acquire the assets in 2020/21. This is shown in **Table 17**.

**Table 17** provides details of the new asset replacements for 2020/21 which total £3.473m. Included within this figure is a sum of £56k for the replacement of a tractor, which for operational reasons will need to be delivered in April 2020. Due to the long lead in time for this vehicle, the service need to raise an order before 2020/21 and Cabinet approval in January 2020 of the budget would ensure timely delivery. The balance is for approval by Council in February 2020.

After the above adjustments, **Table 17** shows the total proposed budget requirement for 2020/21 as £4.879m.

#### Capital and Revenue Resources

The Council funds its capital programme from leasing, contributions, government grants, capital receipts, revenue contributions (Asset Replacement Reserve) and Internal Borrowing.

The Capital and Investment Strategy 2020/21 identifies the capital resources position and the Medium Term Financial Forecast in **Section 6** identifies the revenue budget position allowing for financing costs.

The Prudential Indicators are detailed in the Capital and Investment Strategy 2020/21.



		<b>CAPITAL SCHEMES</b>	<b>VARIATION IN TOTAL CAPITAL SCHEME COSTS</b>							
			Latest Approved Budget - Approved Council July 2019 and Additional New Schemes Approved Since that Date, updated at Cabinet November 2019.			Latest Forecast Budget - Additional Requires Approval				
			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
Committed Spend to 14th December 2019			£000s	£000s	£000s	£000s	£000s			
£000s		<b>SCHEME DESCRIPTION</b>	£000s	£000s	£000s	£000s	£000s			
		<b>Connected Chelmsford</b>								
2,080	1	Museum Heritage Lottery Fund (HLF) Works	1,990	98	2,088		2,088		Completed	Approved at Council February 2017. Scheme cost reviewed in line with HLF award and split of expenditure between capital and revenue has changed, therefore amount available as capital has reduced. Report taken to September 2017 Cabinet. Additional PM salaries approved July 2018 £29k. Latest forecast cost reported to Museum Project Board October 2018 includes £55k contingency. An additional £10k has been approved by delegation and funded by S106 for works required by the HLF. An additional £2k approved by Cabinet November 2019.
63	2	Museum Oaklands Park External Works and Signage	71	10	81		81		Yes	Supplementary estimate approved for new scheme 29/4/19. Additional estimate approved £10k September 2019 to be funded by S106.
		<b>Fairer Chelmsford</b>								
3,538	3	Acq. Land Wharf Road and Future Development	5,000	-664	4,336		4,336		In Negotiations	Approved Council July 2016.
1,149	4	Enabling Lockside Growth Area	450	4,050	4,500		4,500		In Negotiations	Report taken to Cabinet in March 2018 for £4.5m recommended to go on for Council approval. Urgency approval has been granted for £450k. Scheme approved by Council July 2018.
	5	Homelessness Initiatives - unallocated		567	567		567		Under Review	Unspent budget following the completion of the Modular Unit schemes
805	6	Investment for Future Development - Riverside Demolition	940	30	970		970		Under Review	Approved at Cabinet June 2018. Additional £30k approved at Cabinet November 2019.
11	7	Acquisition of Land adjacent to Waveney Drive	11		11		11		Yes	Supplementary estimate approved March 2019
20	8	Galleywood Hall Development Industrial Units	1,200		1,200		1,200		Under Review	Approved at Council February 2019
	9	Bridge Repairs	300		300		300		Yes	Approved at Council February 2019
	10	Land Acquisition Cemetery/Crematorium	1,800		1,800	1,800	3,600		Under Review	Approved at Council February 2019
	11	Refurbishment Bancrofts Road Office	30		30		30	NEW	Yes	Approved Cabinet 19/11/19. Forecast to generate additional income of £15k per annum from rent.
5	12	Acquisition of Investment Property	3,600		3,600		3,600	NEW	Yes	Approved by Council 22/1/2020
		<b>Safer Chelmsford</b>								
39	13	Mayor's Parlour Refurbishment	49	-9	40		40		Completed	Approved supplementary estimate February 2018.
330	14	Coval Lane Window Replacement	250	100	350		350		Yes	£250k approved Council February 2019. Additional £100k approved at Cabinet July 2019.
158	15	Community Safety Partnership Hub	171		171		171		Completed	Approved supplementary estimate May 2018.
11	16	Community Flood Improvements	184		184		184		Under Review	Capital grant received to enable the works to be completed. The budget will be included for approval with the Capital report being taken to June Cabinet 2017. Scheme approved at June Cabinet and included in approved programme.

Table 15

			Latest Approved Budget - Approved Council July 2019 and Additional New Schemes Approved Since that Date, updated at Cabinet November 2019.			Latest Forecast Budget - Additional Requires Approval					
Committed Spend to 14th December 2019			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s				
29	17	Legionella Safety Works Showers and Changing Rooms Various	94		94	-50	94		Yes	£94k approved Council February 2019	
	18	Hylands Park North Kiosk Toilet Refurbishment	60		60		60		Yes	£60k approved Council February 2019	
112	19	Hylands Estate Structural Work to Pleasure Garden Pond	147		147		147		Yes	£147k approved Council February 2019	
11	20	Hylands' Hanbury Memorial Garden	45		45		45	NEW	Yes	Approved via supplementary estimate 2/9/19 funded by a contribution from The Friends of Hylands House (FOHH)	
255	21	S106 Parks and Open Spaces	271	-8	263		263		Yes	Approved delegation S106 report taken to Council in July. Schemes fully funded by S106. £23k scheme removed as funding being used for 22 below. Additional budget approved for Bellmead Bridge, supplementary estimate approved for £15k September 2019 to be funded from S106 contribution.	
10	22	CIL Landscape Enhancement Scheme Chignal Road	11		11		11		Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.	
	23	CIL Parks and Open Space	6		6		6	NEW	Yes	£6k CIL funding approved July 2019 for Coronation Park Basketball Court.	
	24	CIL Savernake Road Scout Hut Replacement Windows	4		4		4	NEW	Yes	Approved via delegation as per CIL report March 2019 £4k for windows, CCC owned building.	
521	25	Chelmsford Indoor Market Refurbishment	500	200	700		650		No	Approved supplementary estimate February 2018. Scheme design is still to be finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling.	
39,705	26	Riverside Ice and Leisure Centre Scheme	950	39,216	40,166		40,166		Completed	£700,000 approved Council July 2015. £60,000 budget vired to fund conversion of outdoor pool to car park. £180K approved April Cabinet for Project Manager and a further £945K approved June Cabinet for the design to RIBA stage 7. £400K approved at October 2016 Cabinet for early enabling works (main contractor). Additional £1m approved Cabinet April 2017 for early works. Additional early works required a further £500k, approved in June. £250k approved for Cafe fit out at Council February 2018. Full scheme cost excluding cafe approved at July 2018 Council as £35.216m. Additional £4.5m approved at February 2019 Council. Additional £200k approved by Cabinet November 2019.	
39	27	Riverside Changing Places Grant - Sensory Equipment	55		55		55		Completed	ECC have awarded a £40k grant for installation of sensory equipment in the new pool facility. A £15k grant was received in 2017/18 and will be used to purchase dryside changing equipment.	
17	28	Riverside Changing Places Grant - Pool Pod	17		17		17	NEW	Completed	£17k Pool pod approved via supplementary estimate 12/7/19 with £14k funding from ECC Changing Places Grant	
35	29	Dovedales - Grant for Works	21	14	35		35		Completed	£21,000 approved via Supplementary estimate October 2017 for replacement sports hall floor 50% contribution. £24k approved at Council 2018 for grant towards replacing radiant heating. Cost of works reduced budget adjusted.	
29	30	Dovedales - Grant for Works 2019/20	32	2	34		34		Completed	Approved at Council February 2019 contribution towards new studio. Additional £2k approved November 2019 cabinet based on actual spend.	
104	31	SWFLC Wet Changing Rooms Upgrade Phase 2	104		104		104		Yes	£104k approved at Council February 2019	
	32	CSAC Refurbishment of Changing Room	42		42		42		Yes	£42k approved at Council February 2019	
63	33	Hylands House Refurbishment First Floor Accommodation	174		174		174		Yes	£174k approved at Council February 2019 3 year programme for refurbishment	
	34	Hylands House Refurbishment Terrace Room	35		35		35	NEW		£35k approved via supplementary estimate December 2019. Scheme funded by contribution from Friends of Hylands House	

			Latest Approved Budget - Approved Council July 2019 and Additional New Schemes Approved Since that Date, updated at Cabinet November 2019.			Latest Forecast Budget - Additional Requires Approval					
Committed Spend to 14th December 2019			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s				
		<b>Greener Chelmsford</b>									
1,667	35	Flood Alleviation Scheme	6,100	400	6,500		6,500		Under Review	Increased cost of scheme from EA now capped at £6.5 million approved Cabinet July 2013	
1,697	36	City Centre Public Realm Work - Half Moon Square	250	1,447	1,697		1,697		Completed	Additional budget £120,000 approved by Cabinet September 2014 to cover the cost of preliminary works. £1.2m approved at February Council for the works to Half Moon Square. Further £275,000 approved by Cabinet October 2015. The cost of these works are to be funded by S106. Project Manager still to provide details of final cost of scheme. There are still outstanding works to be completed. An additional budget was approved at July Council for £67k to be funded from S106. The scheme is complete.	
154	37	Public Realm Wayfinding Signs	50	104	154		154		Completed	£102,000 supplementary estimate approved April 2016. This additional cost will be funded by £52,000 ECC and £50,000 S106.	
18	38	Public Realm Wayfinding Signs Phase 2	310	-155	155		155		Unspecified	Approved at Council February 2018. Two year programme to go ahead only if funding is secured from ECC and CIL. CIL funding of £78k approved January 2019, funding not secured from ECC therefore scheme reduced.	
4,158	39	Public Realm Mill Yard Works	34	4,291	4,325	-167	4,158		Completed	A budget of £101,000 was approved for the design of this scheme via Director of Sustainable Communities delegated authority. An additional £138,000 was approved via supplementary estimate December 2015. At February 2016 Council a further £2,661,000 was approved for this scheme to progress. This scheme will progress on the basis of no cost to CCC with the funding coming from LEP. An additional £900K was approved at Council February 2017. This increase is to be entirely funded from LEP and S106. There is also an additional £400k funding from CIL which has been approved by Council in July 2017 and £100K S106. This additional £500k funding spend has brought the budget for the scheme to £4.3m. This scheme was programmed to complete by the end of March 2018. The majority of the works are now complete but the site has not been handed back to Abellio Greater Anglia. The scheme is complete but negotiations are currently being undertaken with the contractor to agree the final cost of the works.	
57	40	Public Realm Tindal Square Design	160		160		160		No	Approved at Council February 2018. The design works will not be completed until 2019/20.	
21	41	Public Realm City Centre Greening/Tree Planting	115		115		115		Yes	Approved at Council February 2018. Three year programme.	
54	42	HIF Bid Link Road design		250	250		250		Unspecified	Virement from 3 above sum allocated for HIF bid design works	
1,650	43	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.	
708	44	S106 Beaulieu Park Station 2nd Phase	2,917		2,917		2,917		Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.	
67	45	S106 Public Art Mill Yard	70		70		70		Yes	£70k approved via delegation March 2018. Expenditure to be funded by S106.	
590	46	S106 Beaulieu Sports Facility	477	834	1,311		1,311		Unspecified	£477k approved by Cabinet in January 2019 with delegation to spend further S106 contributions when received. Additional contributions received and therefore added to approved budget.	
36	47	S106 Public Art Bond Street	44		44		44		Yes	Approved by delegation February 2019.	
3	48	S106 Stonebridge Illuminations	37		37		37		Yes	Approved by delegation April 2019.	
73	49	CIL REFCUS Schemes 18/19	69	83	152		152		Unspecified	Various schemes approved July 2018. Revenue Expenditure Funded by Capital Under Statute (REFCUS). Additional £42k approved by Cabinet November 2019.	
33	50	CIL REFCUS Schemes 19/20	72	30	102		102	£30k NEW	Yes	Scheme approved April 2019 £72k. Revenue Expenditure Funded by Capital Under Statute (REFCUS). NEW £30k various CIL schemes approved July 2019.	
	51	CIL Sutherland Lodge Refurbishment	525		525		525		Under Review	Approved Council July 2017.	
48	52	CIL North Avenue Youth Centre Grant	41	15	56		56	£15k NEW	Yes	Approved CIL funding April 2018. NEW Additional £15k CIL funding approved July 2019.	

			Latest Approved Budget - Approved Council July 2019 and Additional New Schemes Approved Since that Date, updated at Cabinet November 2019.			Latest Forecast Budget - Additional Requires Approval					
Committed Spend to 14th December 2019			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s				
	53	CIL St Andrew's Scout Hut Building	80		80		80		Yes	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019.	
	52	CIL Langton Ave Community Centre Grant Phase 2	52		52		NEW	Yes	CIL funding approved July 2019		
10	55	CIL Moulsham Lodge Community Centre Café (MLCT)	10		10		NEW	Yes	CIL funding approved July 2019		
1	56	CIL Sanctus First Floor Refurbishment Grant	15		15		NEW	Yes	CIL funding approved July 2019		
	57	CIL Homelessness Day Centre CHESS New London Rd	300		300		NEW	Yes	CIL funding approved July 2019		
7	58	High Chelmer Multi Storey Car park (HCMSCP) Movement Joints	105		105			No	Approved at Council February 2017. Scheme will not complete until September 2018 as there have been other priorities. These works are now being carried out with the drainage works and should be completed by 31/3/20.		
6	59	HCMSCP Drainage Improvements	31		31			No	Approved at Council February 2018.		
49	60	Enabling Role - Housing	3,841	-3,604	237		237		Under review	Budget reduced as vired to fund temporary accommodation - see scheme no. 5. The remaining balance is for a previously agreed payment to CHP. It is not anticipated that this budget will be spent until 2020/21.	
60,298		Grand Total	34,419	48,851	83,270	1,583	84,853				
					Net Variation	1,583					
		Summary of Changes Since Previous Council Reports July 2019									
						£000's					
						Latest Approved Council July 2019	90,873				
						New Schemes Approved	559				
						Supplementary Estimates Approved for Existing Schemes	4,735				
						Completed schemes removed	-12,897				
						Total Approved Budget	83,270				
						Latest Forecast Variations shown above (Increased Budgets Require Approval)	1,583				
						Latest Forecast Budget December 2019	84,853				

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CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME																		
2019/20											2020/21							
2019/20 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE											2020/21 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
VARIATION FROM 2019/20 BUDGET ONLY											2020/21 BUDGET							
Analysis of Variations											Variations							
Committed Spend to 14/12/2019	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2019/20	Additional/ Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2019/20	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Variance for 2019/20 Additional Budget	Forecast Outturn 2019/20	Original Approved Estimate 2020/21	Additional/ Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2020/21	Re phasing from 2019/20 - Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Budget Asset Replacements Requires Approval	Total Proposed Budget Requirement for 2020/21
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s		£000s		£000s	£000s	£000s	£000s	£000s
	<b>Connected Chelmsford</b>																	
120	1 Digital Services Replacement Programme	390			390	-143		-111	-254	136				0	143		199	342
	Financial Module of Enterprise Resource Planning (ERP)	272	-50	V	222	-38			-38	184				0	38			38
	3 Civica System Upgrade	36			36	-36			-36	0				0	36			36
10	4 Leisure Management System	10			10				0	10				0				0
82	5 Theatres' Fire Alarm Replacement	87			87				0	87				0				0
	6 Theatres' Equipment				0				0	0				0			149	149
	7 Cramphorn Theatre Replacement Floor													0			17	17
	<b>Fairer Chelmsford</b>																	
	No Schemes				0				0	0				0				0
	<b>Safer Chelmsford</b>																	
16	8 CCTV Replacement Equipment	65	1	PV	66	-50			-50	16				0	50			50
25	9 CCTV Replacement Cameras	58	4	PV	62	-37			-37	25				0	37		31	68
10	10 CCTV Various Schemes Sites CIL	15	49	SEG	64	-64			-64	0				0	64			64
	11 CCTV Maldon DC Joint Procurement		79	SEG	79	-79			-79	0				0	79	-10		69
	12 Crematorium Equipment	6			6	-6			-6	0				0	6		11	17
	13 Crematorium Columbarium				0				0	0				0			14	14
182	14 Civic Centre Alarm	193			193				0	193				0				0
	15 Civic Centre Boiler Flues	32	-32	PH	0				0	0		32	PH	32				32
14	16 Civic Centre Building Management System	50			50				0	50				0				0
	17 Print and Post Room Replacement Equip.		18	SEN	18				0	18				0			25	25
	18 Dovedales Replacement Equipment	5			5	-5			-5	0				0	5			5
30	19 Riverside Replacement Equipment	30			30				0	30				0			80	80
32	20 Riverside Ice Rink Barrier	16	23		39				0	39				0				0
15	21 CSAC Replacement Equipment	24			24				0	24				0			52	52
	22 CSAC Flood lights	29	-29	PH	0				0	0		29	PH	29				29
5	23 SVFLC Replacement Programme	5			5				0	5				0			58	58
11	24 CSAC Plant Replacement	11			11				0	11				0				0
10	25 SVFLC Plant Replacement	16	-4	PH	12				0	12		4	PH	4			15	19
43	26 Riverside Plant Replacement	44			44				0	44				0			40	40
50	27 Hylands Pavilion Audio Visual Equipment	57			57				0	57				0				0
	28 Hylands Pavilion Replacement Flooring				0				0	0				0			48	48
224	29 Play Area Replacements	247			247				0	247				0				0
9	30 Accessible Play Equipment		15	SEG	15				0	15				0				0
	31 Sports Equipment, floodlights, Irrigation	10			10	-10			-10	0				0	10			10
258	32 Parks Replacement Vehicles and Equipment	420	-162	PH/IPV	258				0	258	4	197	PH/IPV	201			17	218
	33 PHPS Vehicles - Litter Control Van	24			24	-24			-24	0				0	24			24
	34 PHPS Street Lighting				0				0	0				0			21	21
41	35 Freighter House Plant	68			68				0	68				0				0
15	36 Freighter House Canopy Recycling Bays	13	2	PV	15				0	15				0				0
3	37 Scootas for the Disabled		5	SEN	5				0	5				0			2	2
	38 Retail Market Intruder Alarm	13			13				0	13				0				0

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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
	<b><u>2019/20</u></b>						
	<b><u>Connected Chelmsford</u></b>						
1	Digital Services Replacement Programme	390	136	-254	Rephasing of Spend/Reduction in Budget	-65.13%	£154k various items rephased to later year. Saving of £111k of which £108k has resulted from the decision to replace the Multi Function Devices (MFD's) with a 3 year lease and click per copy charge, which has resulted in an additional revenue cost of £20k over the 3 years which is included elsewhere in this report.
2	Financial Module of Enterprise Resource Planning (ERP)	222	184	-38	Rephasing of Spend	-17.12%	Review of the project programme has resulted in some of the consultation days being rephased into 2020/21.
3	Civica Upgrade	36	0	-36	Rephasing of Spend	-100.00%	Rephased as supplier is not in a position to progress.
	<b><u>Safer Chelmsford</u></b>						
8,9,10,11	CCTV	271	41	-230	Rephasing of Spend	-84.87%	All the CCTV works are being procured together under one tender. Due to staffing changes within the Legal Department the issuing of the tender has been delayed and the works will now not be carried out until 2020/21.
46	Hit Squad Replacements	50	0	-50	Rephasing of Spend	-100.00%	Unable to source the required vehicle therefore budget rephased to 2020/21.
48	Recycling Vehicles	35	0	-35	Rephasing of Spend	-100.00%	Unable to guarantee delivery before the end of March therefore budget rephased to 2020/21.
	<b><u>Greener Chelmsford</u></b>						
57	Car Park CCTV Upgrade	137	0	-137	Rephasing of Spend	-100.00%	All the CCTV works are being procured together under one tender. Due to staffing changes within the Legal Department the issuing of the tender has been delayed and the works will now not be carried out until 2020/21.
	<b><u>2020/21</u></b>						
	<b><u>Connected Chelmsford</u></b>						
1	Digital Services Replacement Programme	0	155	155	Rephasing of spend	100.00%	See details provided above.
2	Financial Module of Enterprise Resource Planning (ERP)	0	38	38	Rephasing of Spend	100.00%	See details provided above.
3	Civica Upgrade	0	36	36	Rephasing of Spend	100.00%	See details provided above.
	<b><u>Safer Chelmsford</u></b>						
8,9,10,11	CCTV	0	230	230	Rephasing of Spend	100.00%	See details provided above.
46	Hit Squad Replacements	0	50	50	Rephasing of Spend	100.00%	See details provided above.
48	Recycling Vehicles	0	35	35	Rephasing of Spend	100.00%	See details provided above.
	<b><u>Greener Chelmsford</u></b>						
57	Car Park CCTV Upgrade	0	137	137	Rephasing of Spend	100.00%	See details provided above.

Table 18



**COUNCIL TAX RESOLUTION****INTRODUCTION**

To set the 2020/21 Council Tax for Chelmsford City Council, the Council is asked to approve the information as set out in this Resolution.

**Council Tax**

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

Chelmsford City Council's council tax requirement is £13,581,987 after allowing for a surplus balance on the Collection Fund of £100,379. This results in an average Band D Council Tax of £199.00.

The Parish and Town Council precepts are detailed in the recommendation below and total £2,631,979. This results in an average Band D Council Tax figure of £38.56.

Essex County Council has set a precept at £90,167,937 after allowing for a surplus balance on the collection fund of £549,413. This results in a Band D Council Tax of £1,321.11.

Police, Fire and Crime Commissioner for Essex has set a precept at £13,556,825, after allowing for a surplus balance on the collection fund of £83,447. This results in a Band D Council Tax of £198.63.

Essex Police, Fire and Crime Commissioner Fire and Rescue Authority has set a precept at £5,043,114 after allowing for a surplus balance on the collection fund of £31,332. This results in a Band D Council Tax of £73.89.

The formal Council Tax Resolution is given below. If the Resolution is approved the Council Tax for 2020/21 will be as follows.

	<b>2019/20</b>	<b>2020/21</b>	<b>Increase</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Chelmsford City Council (average)	194.02	199.00	4.98	2.57%
Essex County Council	1,270.44	1,321.11	50.67	3.99%
Police, Fire and Crime Commissioner for Essex	192.96	198.63	5.67	2.94%
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	72.45	73.89	1.44	1.99%
	<hr/>	<hr/>	<hr/>	
	1,729.87	1,792.63	62.76	
Parish and Town Councils (average)	38.09	38.56	0.47	1.23%
	<hr/>	<hr/>	<hr/>	
<b>TOTAL</b>	<b>1,767.96</b>	<b>1,831.19</b>	<b>63.23</b>	

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

The following be approved :-

1	(a)	Council Tax Requirement for 2020/21	£
		Chelmsford City Council	13,581,987
		Parish and Town Councils	2,631,979
		Total Council Tax requirement	<u>£16,213,966</u>
	(b)	The individual Parish budgets were set out in Table 11 of the Council report	
2		It be noted that the Director of Financial Services, under delegated authority, calculated the following amounts as its Council Tax base for the year 2020/21 in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 made under Section 31B(3) of the Act.	
	(a)	The amount calculated by the Council, in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the year.	<u>68,251.65</u>
	(b)	Part of the Council's area (Parish or Town Council, or the Town Centre)	2020/21
			Tax Base
			(Band D
			equivalent)
		GREAT BADDOW	5,461.76
		LITTLE BADDOW	871.75
		BOREHAM	1,371.25
		BROOMFIELD	2,512.55
		CHIGNAL	289.51
		DANBURY	2,427.19
		GALLEYWOOD	2,113.48
		GOOD EASTER	172.59
		EAST HANNINGFIELD	496.09
		SOUTH HANNINGFIELD	1,190.97
		WEST HANNINGFIELD	478.29
		HIGHWOOD	318.04
		GT. & LITTLE LEIGHS	1,141.34
		MARGARETTING	387.26
		MASHBURY	46.39
		PLESHEY	138.88
		RETTENDON	770.69
		ROXWELL	477.07
		RUNWELL	1,790.04
		SANDON	754.85
		SPRINGFIELD	7,858.89
		STOCK	1,194.38
		GT. WALTHAM	941.98
		LT. WALTHAM	804.62
		SOUTH WOODHAM FERRERS	6,085.04
		WOODHAM FERRERS & BICKNACRE	1,234.13
		WRITTLE	<u>2,021.81</u>
			43,350.84
		special expense area of	
		TOWN CENTRE (non Parished area)	<u>24,900.81</u>
			<u>68,251.65</u>

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

3		The following amounts be now calculated by the Council for the year 2020/21 in accordance with Sections 30 to 36 of the Act:-	£
	(a)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (2)(a) to (f) of the Act	149,617,423
	(b)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act	-133,403,457
	(c)	The amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year (including parish precepts)	16,213,966
	(d)	The amount at 3(c) above divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year (including parish precepts)	237.56
	(e)	The aggregate amount of all special items referred to in Sections 34(1) and 35 of the Act	4,524,506
	(f)	The amount at 3(d) above less the amount given by dividing the amount at 3(e) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates (excluding parish precepts)	171.27

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

	Basic Council Tax per Band D £	<--- Special Items --->		TOTAL per Band D £
		Special Expenses per Band D £	Parish Precepts per Band D £	
GREAT BADDOW	171.27	13.41	79.56	264.24
LITTLE BADDOW	171.27	13.59	52.83	237.69
BOREHAM	171.27	11.16	65.61	248.04
BROOMFIELD	171.27	15.30	55.44	242.01
CHIGNAL	171.27	11.16	26.28	208.71
DANBURY	171.27	6.03	87.57	264.87
GALLEYWOOD	171.27	24.21	50.22	245.70
GOOD EASTER	171.27	4.50	62.01	237.78
EAST HANNINGFIELD	171.27	11.25	72.00	254.52
SOUTH HANNINGFIELD	171.27	4.32	72.63	248.22
WEST HANNINGFIELD	171.27	15.93	56.07	243.27
HIGHWOOD	171.27	12.60	100.17	284.04
GT. & LITTLE LEIGHS	171.27	25.02	26.28	222.57
MARGARETTING	171.27	14.76	32.04	218.07
MASHBURY	171.27	9.63	0.00	180.90
PLESHEY	171.27	19.26	54.09	244.62
RETTENDON	171.27	15.21	53.82	240.30
ROXWELL	171.27	1.53	31.41	204.21
RUNWELL	171.27	2.79	56.16	230.22
SANDON	171.27	25.11	44.46	240.84
SPRINGFIELD	171.27	34.56	49.23	255.06
STOCK	171.27	12.60	37.53	221.40
GT. WALTHAM	171.27	15.39	53.01	239.67
LT. WALTHAM	171.27	14.85	54.81	240.93
SOUTH WOODHAM FERRERS	171.27	29.16	70.38	270.81
WOODHAM FERRERS & BICKNACRE	171.27	4.23	62.91	238.41
WRITTLE	171.27	10.26	65.34	246.87
special expense area of TOWN CENTRE (non Parished area)	171.27	43.02	0.00	214.29

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

(h) Valuation Bands

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

- 4 It be noted that for the year 2020/21 Essex County Council, the Police, Fire and Crime Commissioner for Essex and the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown below:-

<u>PRECEPTING AUTHORITY</u>	<----- VALUATION BANDS ----->							
	A £	B £	C £	D £	E £	F £	G £	H £
Police, Fire and Crime Commissioner for Essex	132.42	154.49	176.56	198.63	242.77	286.91	331.05	397.26
Essex Police, Fire and Crime Commissioner Fire and Rescue Authority	49.26	57.47	65.68	73.89	90.31	106.73	123.15	147.78
Essex County Council	880.74	1,027.53	1,174.32	1,321.11	1,614.69	1,908.27	2,201.85	2,642.22

- 5 Having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the amounts detailed in Annex B attached as the amounts of council tax for the year 2020/21 for each of the categories of dwellings shown.

**ANNEX A: Chelmsford City Council - Council taxes 2020/21 - Excluding Essex County Council, Police, Fire & Crime  
Commissioner for Essex & Essex Police, Fire and Crime Commissioner Fire and Rescue Authority**

Parish of:-	----- VALUATION BANDS ----->							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
GREAT BADDOW	176.16	205.52	234.88	264.24	322.96	381.68	440.40	528.48
LITTLE BADDOW	158.46	184.87	211.28	237.69	290.51	343.33	396.15	475.38
BOREHAM	165.36	192.92	220.48	248.04	303.16	358.28	413.40	496.08
BROOMFIELD	161.34	188.23	215.12	242.01	295.79	349.57	403.35	484.02
CHIGNAL	139.14	162.33	185.52	208.71	255.09	301.47	347.85	417.42
DANBURY	176.58	206.01	235.44	264.87	323.73	382.59	441.45	529.74
GALLEYWOOD	163.80	191.10	218.40	245.70	300.30	354.90	409.50	491.40
GOOD EASTER	158.52	184.94	211.36	237.78	290.62	343.46	396.30	475.56
EAST HANNINGFIELD	169.68	197.96	226.24	254.52	311.08	367.64	424.20	509.04
SOUTH HANNINGFIELD	165.48	193.06	220.64	248.22	303.38	358.54	413.70	496.44
WEST HANNINGFIELD	162.18	189.21	216.24	243.27	297.33	351.39	405.45	486.54
HIGHWOOD	189.36	220.92	252.48	284.04	347.16	410.28	473.40	568.08
GT. & LITTLE LEIGHS	148.38	173.11	197.84	222.57	272.03	321.49	370.95	445.14
MARGARETTING	145.38	169.61	193.84	218.07	266.53	314.99	363.45	436.14
MASHBURY	120.60	140.70	160.80	180.90	221.10	261.30	301.50	361.80
PLESHEY	163.08	190.26	217.44	244.62	298.98	353.34	407.70	489.24
RETTENDON	160.20	186.90	213.60	240.30	293.70	347.10	400.50	480.60
ROXWELL	136.14	158.83	181.52	204.21	249.59	294.97	340.35	408.42
RUNWELL	153.48	179.06	204.64	230.22	281.38	332.54	383.70	460.44
SANDON	160.56	187.32	214.08	240.84	294.36	347.88	401.40	481.68
SPRINGFIELD	170.04	198.38	226.72	255.06	311.74	368.42	425.10	510.12
STOCK	147.60	172.20	196.80	221.40	270.60	319.80	369.00	442.80
GT. WALTHAM	159.78	186.41	213.04	239.67	292.93	346.19	399.45	479.34
LT. WALTHAM	160.62	187.39	214.16	240.93	294.47	348.01	401.55	481.86
SOUTH WOODHAM FERRERS	180.54	210.63	240.72	270.81	330.99	391.17	451.35	541.62
WOODHAM FERRERS & BICKNACRE	158.94	185.43	211.92	238.41	291.39	344.37	397.35	476.82
WRITTELE	164.58	192.01	219.44	246.87	301.73	356.59	411.45	493.74
special expense area of TOWN CENTRE (non Parished area)	142.86	166.67	190.48	214.29	261.91	309.53	357.15	428.58

**ANNEX B: Chelmsford City Council - Council taxes 2020/21 - At taxpayer level**

Parish of:-	----- VALUATION BANDS ----->							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
GREAT BADDOW	1,238.58	1,445.01	1,651.44	1,857.87	2,270.73	2,683.59	3,096.45	3,715.74
LITTLE BADDOW	1,220.88	1,424.36	1,627.84	1,831.32	2,238.28	2,645.24	3,052.20	3,662.64
BOREHAM	1,227.78	1,432.41	1,637.04	1,841.67	2,250.93	2,660.19	3,069.45	3,683.34
BROOMFIELD	1,223.76	1,427.72	1,631.68	1,835.64	2,243.56	2,651.48	3,059.40	3,671.28
CHIGNAL	1,201.56	1,401.82	1,602.08	1,802.34	2,202.86	2,603.38	3,003.90	3,604.68
DANBURY	1,239.00	1,445.50	1,652.00	1,858.50	2,271.50	2,684.50	3,097.50	3,717.00
GALLEYWOOD	1,226.22	1,430.59	1,634.96	1,839.33	2,248.07	2,656.81	3,065.55	3,678.66
GOOD EASTER	1,220.94	1,424.43	1,627.92	1,831.41	2,238.39	2,645.37	3,052.35	3,662.82
EAST HANNINGFIELD	1,232.10	1,437.45	1,642.80	1,848.15	2,258.85	2,669.55	3,080.25	3,696.30
SOUTH HANNINGFIELD	1,227.90	1,432.55	1,637.20	1,841.85	2,251.15	2,660.45	3,069.75	3,683.70
WEST HANNINGFIELD	1,224.60	1,428.70	1,632.80	1,836.90	2,245.10	2,653.30	3,061.50	3,673.80
HIGHWOOD	1,251.78	1,460.41	1,669.04	1,877.67	2,294.93	2,712.19	3,129.45	3,755.34
GT. & LITTLE LEIGHS	1,210.80	1,412.60	1,614.40	1,816.20	2,219.80	2,623.40	3,027.00	3,632.40
MARGARETTING	1,207.80	1,409.10	1,610.40	1,811.70	2,214.30	2,616.90	3,019.50	3,623.40
MASHBURY	1,183.02	1,380.19	1,577.36	1,774.53	2,168.87	2,563.21	2,957.55	3,549.06
PLESHEY	1,225.50	1,429.75	1,634.00	1,838.25	2,246.75	2,655.25	3,063.75	3,676.50
RETTENDON	1,222.62	1,426.39	1,630.16	1,833.93	2,241.47	2,649.01	3,056.55	3,667.86
ROXWELL	1,198.56	1,398.32	1,598.08	1,797.84	2,197.36	2,596.88	2,996.40	3,595.68
RUNWELL	1,215.90	1,418.55	1,621.20	1,823.85	2,229.15	2,634.45	3,039.75	3,647.70
SANDON	1,222.98	1,426.81	1,630.64	1,834.47	2,242.13	2,649.79	3,057.45	3,668.94
SPRINGFIELD	1,232.46	1,437.87	1,643.28	1,848.69	2,259.51	2,670.33	3,081.15	3,697.38
STOCK	1,210.02	1,411.69	1,613.36	1,815.03	2,218.37	2,621.71	3,025.05	3,630.06
GT. WALTHAM	1,222.20	1,425.90	1,629.60	1,833.30	2,240.70	2,648.10	3,055.50	3,666.60
LT. WALTHAM	1,223.04	1,426.88	1,630.72	1,834.56	2,242.24	2,649.92	3,057.60	3,669.12
SOUTH WOODHAM FERRERS	1,242.96	1,450.12	1,657.28	1,864.44	2,278.76	2,693.08	3,107.40	3,728.88
WOODHAM FERRERS & BICKNACRE	1,221.36	1,424.92	1,628.48	1,832.04	2,239.16	2,646.28	3,053.40	3,664.08
WRITTELE	1,227.00	1,431.50	1,636.00	1,840.50	2,249.50	2,658.50	3,067.50	3,681.00
special expense area of TOWN CENTRE (non Parished area)	1,205.28	1,406.16	1,607.04	1,807.92	2,209.68	2,611.44	3,013.20	3,615.84

- 6 The increase in Chelmsford City Council's relevant basic amount of Council Tax for 2020/21 is £4.98 (2.57%), which is below the guideline increase issued in accordance with the provisions of section 52ZB Local Government Finance Act 1992. The increase is therefore not excessive.

Parish and Town Council	Council Tax required		<--- Band D --->		
	2019/20	2020/21	2019/20	2020/21	Increase
	£	£	£	£	%
Great Baddow	421,598	434,538	77.94	79.56	2.08%
Little Baddow	44,733	46,055	51.57	52.83	2.44%
Boreham	88,731	89,968	68.40	65.61	-4.08%
Broomfield	130,967	139,296	55.44	55.44	0.00%
Chignal	7,393	7,608	32.22	26.28	-18.44%
Danbury	205,260	212,549	85.05	87.57	2.96%
Galleywood	103,359	106,139	49.23	50.22	2.01%
Good Easter	9,545	10,702	55.35	62.01	12.03%
East Hanningfield	34,817	35,718	71.10	72.00	1.27%
South Hanningfield	84,137	86,500	71.28	72.63	1.89%
West Hanningfield	23,290	26,818	50.67	56.07	10.66%
Highwood	25,516	31,858	80.55	100.17	24.36%
Great & Little Leighs	30,040	29,994	28.26	26.28	-7.01%
Margaretting	12,414	12,408	32.76	32.04	-2.20%
Mashbury	0	0	0.00	0.00	0.00%
Pleshey	7,509	7,512	54.45	54.09	-0.66%
Rettendon	36,169	41,479	47.25	53.82	13.90%
Roxwell	15,017	14,985	32.40	31.41	-3.06%
Runwell	89,580	100,529	53.55	56.16	4.87%
Sandon	31,904	33,561	44.28	44.46	0.41%
Springfield	382,997	386,893	50.31	49.23	-2.15%
Stock	43,691	44,825	37.26	37.53	0.72%
Great Waltham	45,982	49,934	50.22	53.01	5.56%
Little Waltham	35,711	44,101	54.81	54.81	0.00%
South Woodham Ferrers	428,670	428,265	70.92	70.38	-0.76%
Woodham Ferrers & Bicknacre	74,648	77,639	61.29	62.91	2.64%
Writtle	126,096	132,105	63.27	65.34	3.27%
	<u>2,539,774</u>	<u>2,631,979</u>	1,429.83	1,471.86	

## COUNCIL TAX PREMIUM ON LONG TERM EMPTY PROPERTIES

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At its meeting on 28 January 2020, the Cabinet considered the attached report on increasing the Council Tax payable by the owners of long term empty properties. It resolved as follows:

**RECOMMENDED TO THE COUNCIL** that:

1. an Empty Homes premium of 200% as specified in section 11B of the Local Government Finance Act 1992 (as amended), be levied on dwellings which have been unoccupied and substantially unfurnished for more than five years immediately before the day in question (i.e. "long term empty dwellings"), the total charge to be 300% of the Council Tax that would be payable if the dwelling was occupied by two adults and no discounts were applicable, the charge to take effect from 1 April 2020; and
2. an Empty Homes premium of 300% as specified in section 11B of the Local Government Finance Act 1992 (as amended), be levied on dwellings which have been unoccupied and substantially unfurnished for more than 10 years immediately before the day in question (i.e. "long term empty dwellings"), the total charge to be 400% of the Council Tax that would be payable if the dwelling was occupied by two adults and no discounts were applicable, the charge to take effect from 1 April 2021.

The Council is invited to consider that recommendation.

**CABINET**  
**28 January 2020**

AGENDA ITEM 8.4

<b>Subject</b>	COUNCIL TAX – CHANGES TO CHARGES FOR EMPTY PROPERTIES
<b>Report by</b>	CABINET MEMBER FOR FAIRER CHELMSFORD

**Enquiries contact:** Rob Hawes, 01245 606695, robert.hawes@chelmsford.gov.uk

**Purpose**

To agree to use legislative powers to further increase the Council Tax payable by owners of long term empty properties

**Options**

1. To increase the Council Tax premium charged on properties which have been empty for 5 years or more from 100% to a maximum of 200% from 1 April 2020.
2. To increase the Council Tax premium charged on properties which have been empty for 10 years or more to a maximum of 300% with effect from 1 April 2021.

**Recommendations**

1.	That Cabinet recommends to Full Council that an Empty Homes premium of 200% as specified in section 11B of the Local Government Finance Act 1992 (as amended), be levied on dwellings which have been unoccupied and substantially unfurnished for more than <b>5</b> years immediately before the day in question (i.e. "long term empty dwellings"), the total charge to be 300% of the Council Tax that would be payable if the dwelling was occupied by two adults and no discounts were applicable. To take effect from 1 April <b>2020</b> .
2.	That Cabinet recommends to Full Council that an Empty Homes premium of 300% as specified in section 11B of the Local Government Finance Act 1992 (as amended), be levied on dwellings which have been unoccupied and substantially unfurnished for more than <b>10</b> years immediately before the day in question (i.e. "long term empty dwellings"), the total charge to be 400% of the Council Tax that would be payable if the dwelling was occupied by two adults and no discounts were applicable. To take effect from 1 April <b>2021</b> .

<b>Corporate Implications</b>	
Legal:	Section 11B of the Local Government Finance Act (as amended by the Rating (Property in Common Occupation and Council Tax (Empty Dwellings) Act 2018 gives billing authorities discretion to charge a higher amount of council tax in respect of properties empty for longer than specified amounts of time. The Act specifies the maximum premium which can be charged in each case.
Financial:	Whilst additional Council Tax receipts may accrue, they will be relatively small and the policy intent is actually to encourage owners to bring empty property back into use.
Potential impact on climate change and the environment	None
Contribution toward achieving a net zero carbon position by 2030	None
Personnel:	None
Risk Management:	None
Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out? Y/N)	No
Health and Safety:	None
IT:	None
Other:	

<b>Consultees</b>	<p>Director of Financial Services</p> <p>There is no requirement to consult with residents regarding increasing the premium charge. However, there is a requirement to publish details of any change in a local newspaper within 21 days of the decision, although a failure to do so does not affect the validity of that decision.</p>
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<p><b>Policies and Strategies</b></p> <p>The report takes into account the following policies and strategies of the Council:</p> <p>Revenues Hardship Policy</p>
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## 1. Introduction

- 1.1 At its meeting on 27 February 2019, the Council agreed to make use of a discretionary power to increase the amount of Council Tax levied on properties which have been empty for more than two years.
- 1.2 Since 1 April 2019, properties empty for two years or more have been charged a premium equivalent to 100% of the Council Tax which would have been payable if the property were occupied by two adults and no other discounts were applicable. Effectively, the Council Tax payable is doubled. The legislation allows for further increases to be implemented on 1 April 2020 and 1 April 2021 as long as the Council makes a determination to that effect.

## 2. Long Term Empty Premium

- 2.1 The Rating (Property in Common) and Council Tax (Empty Dwellings) Act 2018 amended s11B of the Local Government Finance Act 1992 and allows councils to increase the additional premium which can be charged on long term empty properties.
- 2.2 The ability to increase the premium is being introduced in stages. The Council decided to implement the first stage in 2019/20. Properties empty for more than 2 years are currently subject to a 100% premium. From 2020/21, a premium of 200% can be imposed on properties empty for 5 years or more, meaning that owners will pay 3 times the normal Council Tax. From 2021/22, a premium of 300% can be levied on properties empty for 10 years or more meaning that owners would be charged 4 times the normal Council Tax.
- 2.3 There are currently 43 properties which have been empty for 5 years or more, of which 18 have been empty for more than 10 years, although this number fluctuates. Assuming an average Band D charge, increasing the premium in 2020/21 would raise an additional £76,000, of which Chelmsford CC's share would be £8,400. Implementing the additional premium for properties empty for 10 years or more in 2021/22 would raise a further £31,900pa at current rates, with £3,500 of that due to CCC.
- 2.4. Whilst additional revenue is welcome, the main reason for increasing Council Tax in respect of empty homes is to incentivise owners to bring properties back into use, thereby reducing their liabilities and helping to reduce the housing pressure that residents face.
- 2.5 Empty properties can also require a disproportionate amount of public resources. They can become an environmental nuisance or the focus for anti-social behaviour and neighbour complaints.

## 3. Conclusion

- 3.1 Increasing the Long Term Empty Premium in respect of properties empty for five years or more to 200% with effect from 1 April 2020 and, subsequently to 300% in respect of properties empty for ten years or more from 1 April 2021 is a proportionate approach to the problem of empty properties, especially given the pressure on housing in Chelmsford. It is hoped that

increasing the cost of leaving a property empty long term will encourage owners to bring properties back into occupation. If it does not, then the additional Council Tax levied will help to mitigate the issues that empty properties can create.

#### List of Appendices

Nil

#### Background Papers

Cabinet agenda item 6.3 29 January 2019 – Council Tax - changes to charges and discounts for empty properties

## PAY POLICY STATEMENT FOR 2020 - 2021

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1. The Localism Act 2011 requires that each local authority produce and submit to full Council for approval an annual pay policy statement which should include:
  - The Council's policy on the level and elements of remuneration for Council employees including chief officers
  - The Council's policy on the remuneration of its lowest paid employee
  - The Council's policy on the relationship between the remuneration of its chief officers and other officers
  - The Council's policy on other specific aspects of officers' remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses (where applicable) and termination payment and transparency
  - Publication of, and access to, information relating to remuneration of chief officers

### **RECOMMENDED that**

the Council's Pay Policy Statement for 2020-2021 be approved.

CHELMSFORD CITY COUNCIL  
PAY POLICY STATEMENT, 2020 - 2021

## Introduction

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

Please use the following link to access the Council's Constitution:  
<https://www.chelmsford.gov.uk/your-council/councillors-and-decision-making/constitution/>

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

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

### **Strategic Aims**

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

### **Scope**

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

### **Determination of Job Grades**

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

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

## **Remuneration**

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

### Normal Pay

17. Normal pay includes all earnings that would be paid during a period of contractual working, but excluding any payments not made on a regular basis.
18. The basic pay of each employee will be based on the grade of the job they are contracted to perform. Grade 2 has a spot rate and Grades 3 and 4 each have two spinal column points. All the other grades consist of four spinal points. The minimum point of a pay grade is not lower than the maximum point of the preceding pay grade. The Council's locally determined pay scales ranges from grade 2 – 20. Jobs with the same evaluation score will be on the same grade.
19. The Council employs apprentices on apprentice pay rates. The lowest graded roles within the Council are grade 2 with a current salary<sup>1</sup> of £17,367. Roles at this grade include cleaners, ice rink assistant, museum assistant, revenues assistant and pitch co-ordinator. The pay for the lowest grade employees is above national minimum pay rates.

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<sup>1</sup> Salary as at April 2019

### Recruitment

20. New entrants will normally be placed at the bottom of the scale unless in exceptional circumstances, it can be demonstrated that they have had experience in the same role with the same level of responsibility in another organisation with the capability to work and function at a high level from the outset. Other considerations to merit an appointment at a higher scale point are when a case is made to establish demonstrable previous skills and experience against proven organisational need. These will need to be agreed by HR in consultation with the Director of Service or the Chief Executive in the case of a Director's appointment. In the case of a Chief Executive appointment, this is covered under part 4 section 7 of the Council's Constitution.

### Progression through the Pay Spine

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

### Pay Negotiation

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

### Market Supplements

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

### Honorarium payments

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

### **Other Pay**

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

### **Pensions**

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

### **Other Benefits**

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

### **Reimbursement of Expenditure**

36. All employees are required to make the best use of council resources and are obliged to consider the most cost-effective option when incurring any expenditure in the course of their duties.



37. Subsistence allowances are payable when employees incur additional expenditure on meals because they have been unable to follow their normal meal arrangements whilst out on business.
38. Examples of where an employee may need to incur expenditure on meals are as follows:
- Attendance at training courses or seminars where meals or refreshments are not provided
  - Site visits
  - Meetings to other organisations
  - Travelling to locations as part of official duties.

### **Termination of Employment**

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

### **Other Changes**

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

### **Publicising Senior Salary**

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

### **Conclusion**

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