

# Cabinet Agenda

**8 July 2020 at 7pm**

## **Remote Meeting**

### **Membership**

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

### **and Councillors**

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

Local people are welcome to attend this meeting remotely, where your elected Councillors take decisions affecting YOU and your City. There is also an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. If you would like to find out more, please telephone Brian Mayfield in the Democracy Team on Chelmsford (01245) 606923 email [brian.mayfield@chelmsford.gov.uk](mailto:brian.mayfield@chelmsford.gov.uk)

# THE CABINET

8 JULY 2020

## AGENDA

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

#### 1. Attendance and Apologies for Absence

#### 2. 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.

#### 3. Minutes and Decisions Called in

Minutes of meeting on 2 June 2020. No decisions at that meeting were called in.

#### 4. Public Questions

Any member of the public may ask a question or make a statement at this point in the meeting, provided that they have been invited to participate in this meeting and have submitted their question or statement in writing and in advance. Each person has two minutes and a maximum of 15 minutes is allotted to public questions/statements, which must be about matters for which the Cabinet is responsible. The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to [committees@chelmsford.gov.uk](mailto:committees@chelmsford.gov.uk) 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting, provided they have indicated that they wish to do so and have submitted an email address to which an invitation to join the meeting and participate in it can be sent.

## 5. Members' Questions

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

## 6. Fairer Chelmsford Items

6.1 Capital Programme Update and Provisional Outturn 2019/20

6.2 Treasury Management Outturn Report 2019/20

6.3 Medium-Term Financial Strategy

## 7. Urgent Business

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

## 8. Reports to Council

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

## PART 2 (Exempt Items)

NIL

**MINUTES OF**  
**CHELMSFORD CITY COUNCIL CABINET**

on 2 June 2020 at 7.00pm

Present:

**Cabinet Members**

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

**Cabinet Deputies**

Councillor M Bracken, Economy and Small Business  
Councillor D Clark, Strategy  
Councillor A Davidson, Healthy Living  
Councillor S Rajesh, Community Safety  
Councillor C Tron, Affordable Housing

**Councillors**

K Bentley, N Chambers, P Clark, W Daden, S Dobson, N Gulliver, R Hyland, R Massey, R  
Poulter, I Roberts, J Raven, M Sismey, M S Steel, M Watson and R T Whitehead

**1. Attendance and Apologies for Absence**

The attendance of members was confirmed. Apologies for absence had been received from Councillor J Galley, Oppositions Spokesperson.

**2. Declarations of Interest**

Members of the Cabinet were reminded to declare at the appropriate time any pecuniary and non-pecuniary interests in any of the items of business on the meeting's agenda. Councillor Steel declared a non-pecuniary interest in Item 6.1 as a member of the Riverside gym.

### 3. Minutes and Decisions Called-in

The minutes of the meeting on 3 March 2020 were confirmed as a correct record. No decisions at that meeting had been called in.

### 4. Public Questions

Written statements had been received from two members of the public in support of the Tindal Square Public Realm Improvements Scheme, one of whom read out his statement in person.

### 5. Members' Questions

Councillor K Bentley on whether the Council was planning to reintroduce charges for parking in its car parks and whether key workers would be exempt from the charges.

The Cabinet Member for Sustainable Development said that charges had recently been reintroduced. The multi-storey car parks had been reopened, with social distancing measures in place, surfaces sanitised and only one person allowed in the lifts at one time. There were no plans to exempt key workers from charges as that would be administratively difficult to introduce and would have an adverse effect on income at a time when the Council was facing financial difficulties.

#### 6.1 Petition on the Use of the Riverside Gym by Under 16s (Greener and Safer Chelmsford)

##### Declarations of interest:

Councillor M Steel declared a non-pecuniary interest and took no part in the discussion on this item.

##### Summary:

A petition had been received requesting that the Council reconsider its decision to change the opening hours for unaccompanied 14/15 year olds to the Riverside gym facility. The organiser of the petition attended the meeting formally to present and speak to it.

##### Options:

1. Accept the petition and extend the access for under 16s to the same as adult customers
2. Extend the hours for under 16s to an alternative time (e.g. 7pm midweek evenings)

3. Continue with current arrangements but continue to monitor the position and keep under review.

#### Chosen Option and Reasons:

Option 3 on the grounds that the changes had helped to resolve most of the problems experienced at the facility under the former arrangements for the use of the gym by 14 and 15 year olds.

#### Discussion:

In introducing the report, the Cabinet Member for Greener and Safer Chelmsford explained the reasons for adopting the current arrangements for the use of the gym by 14 and 15 year olds. She said that the Riverside facility had a duty of care to young people and, like other such facilities, wished to ensure the careful supervision of their use by young people. The Riverside gym gave youngsters equal or better opportunities than other providers to use its facilities during peak times and the leisure centre as a whole provided a wide range of activities not necessarily available at other sites.

The Cabinet Member went on to outline the plans for the reopening of the Riverside Leisure Centre, which it was intended would take place on 6 July, taking into account all government advice and having carried out detailed risk assessments. The gym would run pre-booked one hour sessions and operate the same arrangements as before the lockdown. Online classes would also be held for those unable to access the facilities.

Asked whether there would be any scope to provide gym sessions in a more controlled environment for unaccompanied youngsters from outside Chelmsford who would have difficulty attending before 5.30pm, the Cabinet Member said that she would discuss the possibility with officers and inform the questioner of the outcome. On a suggestion that a “teenage plus” membership scheme be introduced for talented 14 and 15 year olds who could use the gym unsupervised and on the recommendation of an instructor, the Cabinet Member said that that too would be part of the monitoring and review arrangements in place once the gym reopened and long-term usage patterns could be assessed. A programme for talented athletes was already in place which provided flexibility on the times of training.

In response to a question about progress on the Council providing its own online petition facility, the Cabinet Member for Connected Chelmsford said that the recent focus of Digital Services had been on enabling remote working and meetings. The introduction of an e-petitions scheme would be pursued when capacity allowed, but in the meantime the Council was happy to accept online petitions from other sources.

RESOLVED that the current arrangements for the admission of 14 and 15 year olds to the Riverside Gym facilities be retained but that they continue to be monitored.

(7.14pm to 7.31pm)

## 6.2 Policy for CCTV (Greener and Safer Chelmsford)

### Declarations of Interest:

None

### Summary:

The Cabinet was requested to approve a policy for the monitoring of third party CCTV systems in Chelmsford.

### Options:

Approve the proposed policy, amend it or not introduce a formal policy.

### Chosen Option and Reasons:

The proposed policy would respond to increasing interest by external organisations for the Council to monitor their CCTV systems.

### Discussion:

It was observed during discussion on this item that much of the CCTV provision appeared to be focused on the city centre. A significant proportion of crime was committed in villages and in shopping centres outside of the city centre not the responsibility of parish councils and therefore it was suggested that systems operated by, for example, housing partnerships be included in the policy. The Cabinet Member said that the policy could be amended in future to include housing partnerships if a review considered it necessary.

RESOLVED that the proposed policy for the monitoring of the CCTV systems of third parties set out in Section 4 of the report to the meeting be approved.

(7.31pm to 7.37pm)

## 7.1 Making Places Supplementary Planning Document – Consultation Draft (Sustainable Development)

### Declarations of Interest:

None

### Summary:

The Chelmsford Policy Board on 3 March 2020 had considered a draft of the Making Places Supplementary Planning Document (SPD) which, if approved by the Cabinet, would be published for public consultation. The purpose of the document, which would sit alongside the Local Plan, was to promote and secure high quality sustainable new development of all types and sizes. It set out detailed guidance on the policy requirements of the Local Plan and the standards the local planning authority would expect to see in future developments, including advice on how

developers could go beyond those standards to create the most sustainable and environmentally friendly developments possible.

**Options:**

Approve the document for consultation, amend it or withdraw it.

**Chosen Option and Reasons:**

The draft document reflected the Council's objectives for the provision of new development in the city.

**Discussion:**

The following questions were asked during the discussion of the report:

- Whether residents' groups would be included in the developers' forums for parish councils.
- Whether the words "genuinely affordable housing" could be included in the wording of the theme "A fairer and inclusive Chelmsford" in paragraph 1.6 of the SPD.
- Whether hedgehog highways could be provided in the boundary walls and fences of properties in a development.
- Why the consultation period could not be extended to the normal six weeks and that it would best to avoid holiday periods when it did take place.

In response to those questions, the Cabinet Member for Sustainable Development said that the developers' forum went through the masterplan process first and other interested parties would be involved once that stage had been completed. There would be an ongoing dialogue with all stakeholders and organisations. On the term "genuinely affordable", he said that that this was open to interpretation and the Council was required to follow the definition of affordable housing secured through the planning system set out in the NPPF. The creation of hedgehog highways or wildlife corridors was something that would need to be agreed by negotiation with developers at the design stage, but it was the wish of the Council to promote and protect wildlife as much as possible in new developments. The four week consultation period was thought to be appropriate and would begin as soon as meaningful arrangements for it, probably concentrating on online responses in the current circumstances, could be put in place.

RESOLVED that:

1. the draft Making Places Supplementary Planning Document and its supporting Appendices submitted with the report to the meeting be approved for public consultation; and
2. the Director of Sustainable Communities, in consultation with the Cabinet Member for Greener Chelmsford, be authorised to make any subsequent changes to the SPD and to finalise the consultation material.

(7.37pm to 7.77pm)



## 7.2 Planning Obligations Supplementary Planning Document – Consultation Draft (Sustainable Development)

### Declarations of Interest:

None

### Summary:

A draft of the Planning Obligations Supplementary Planning Document was submitted for the Cabinet's consideration on the recommendation of The Chelmsford Policy Board on 3 March 2020. It set out how the City Council would seek planning obligations needed to make development proposals acceptable in planning terms and detailed the obligations or contributions required, depending on the scale of development. If approved by the Cabinet the draft would be the subject of public consultation.

### Options:

Approve the document for consultation, amend it or withdraw it.

### Chosen Option and Reasons:

The document presented would meet the Council's objectives for seeking obligations and contributions from developers.

### Discussion:

It was pointed out that under the proposed delegation in recommendation 2 the SPD could be amended without reference back to the Cabinet, as could the SPD on Making Places. The Cabinet Member for Sustainable Development assured members that this was not the intention and the delegation related to making only minor changes to prepare the document for consultation. It would return to the Cabinet for final approval.

Although it was suggested that the Council should be selective in deciding which areas of open space should be transferred to it by developers so that they could be maintained by the authority, the Cabinet Member said that he was inclined to the view that all such spaces should be maintained by the Council whatever their size. However, he would consider all responses on this issue that arose from the consultation.

On a request that reference in the SPD to the cycle bridge over the B1012 be removed, the Cabinet Member said that there was scope to discuss doing this at the master planning stage, which would be looking at how to integrate the strategic growth site north of South Woodham Ferrers with the rest of the town. As highway authority, Essex County Council would need to agree to the removal of reference.

RESOLVED that:

1. the draft Planning Obligations Supplementary Planning Document (SPD) and its supporting Appendices submitted with the report to the meeting and as amended by the points above be approved for public consultation; and
2. the Director of Sustainable Communities, in consultation with the Cabinet Member for Greener Chelmsford, be authorised to make any subsequent changes to the SPD and to finalise the consultation material.

(7.55pm to 8.06pm)

### 7.3 Tindal Square Public Realm Improvement Scheme (Sustainable Development)

#### Declarations of Interest:

None

#### Summary:

The Cabinet considered a report which presented a preliminary design and two options for the design of a public realm improvement scheme for Tindal Square following public consultation on the project in 2019.

#### Options:

Agree or not to proceed with the Detailed Design of the Tindal Square Public Realm Improvement Scheme.

#### Chosen Option and Reasons:

The preliminary design and Option 1 would best fulfil the Council's ambitions for the improvement of Tindal Square.

#### Discussion:

The Cabinet had received two statements in favour of the scheme, one of which was presented in person by a representative of the Civic Society. In response to a request that the Society be engaged in the discussions with Essex County Council on the scheme and the future use of Shire Hall, the Cabinet Member for Sustainable Development said that he would welcome the Society's input. He also referred to a request in the other statement received that the Sebastopol canon be restored to the front of Shire Hall and said that this would be considered as part of the design. He was unable to agree, however, to a suggestion at the meeting that consideration also be given to relocating the War Memorial to Tindal Square. He said that such a project would cost at least £80,000 and, being a listed monument, the necessary permissions would be difficult to obtain.

In response to a question, the Cabinet Member said that the Tindal Square scheme was the next project on the list of public realm improvements and, if finally agreed, would represent the completion of the pedestrianisation of the High Street. Asked to what degree the scheme would contribute to meeting the objective to make Chelmsford net zero carbon by 2030, the Cabinet Member said that it was not

possible to quantify that at the moment but that it was clear that there would be a reduction in traffic in the city centre as a result, that it would encourage walking and cycling, and that more trees would be provided as part of the scheme.

The Cabinet Member agreed with a comment that the County Council needed to make an early and firm decision on the future use of Shire Hall. He said that the City Council continued to hold discussions with the County Council and had suggested possible avenues for funding to support its future use.

RESOLVED that:

1. Cabinet approves the Preliminary Design for Tindal Square and adopts Option 1 as the City Council's preferred option, and that additional contributions are sought to support this Option from external funding sources, including Essex County Council as landowner of the Shire Hall and the County Council's preferred development partner.
2. Should Option 1 not be supported by Essex County Council as landowner of the Shire Hall and the County Council's preferred development partner, Option 2 is progressed.
3. The Director of Sustainable Communities is requested to enter into discussions with Essex County Council as owner of Shire Hall and the proposed developer of Shire Hall to obtain their support for the implementation and funding of Option 1.
4. Cabinet approves the expenditure of up to £320,000 on the Detailed Design and Tender Process for the Scheme and that this budget is added to the Capital Programme and allocated from uncommitted S106 contributions already held by the City Council for public realm purposes.
5. The Director of Sustainable Communities, in consultation with the Cabinet Member for Sustainable Development, is authorised to enter in to an Inter Authority Agreement with Essex County Council to procure and develop the delivery of the scheme on the City Council's behalf.
6. At the end of the Detailed Design and Tender Process a further report is brought to Cabinet to approve the budget and delivery of the Scheme.

(8.06pm to 8.43pm)

## 8. Modern Day Slavery and Human Trafficking Statement (Leader)

### Declarations of Interest:

None

### Summary:

The Cabinet was requested to approve for publication the 2020/21 Statement on Modern Day Slavery and Human Trafficking.

#### Options:

The Statement was a factual document which the Council was required to review and publish annually and therefore the consideration of options was not appropriate.

#### Discussion:

The Statement was welcomed and it was suggested that in order to raise awareness of the issue and demonstrate its leadership role, the Council should set up a cross-party group to monitor the operation of its activities to ensure compliance with the Statement's principles and to further the commitments the authority agreed to when adopting the Charter on Modern Day Slavery. The Leader said that he would ask for a report covering those points to be submitted to a future meeting of the Audit and Risk Committee, which he thought would be the body best placed to monitor the Council's work to combat Modern Day Slavery.

RESOLVED that the proposed Statement on Modern Slavery and Human Trafficking for 2020 be approved and published.

(8.43pm to 8.53pm)

### 9. Urgent Business

There were no items of Urgent Business

### 10. Reports to Council

None of the reports to the meeting required reference to the Council.

The meeting closed at 8.53pm

Chair



Chelmsford City Council Cabinet

8<sup>th</sup> July 2020

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## Capital Programme Update and Provisional Outturn 2019/20

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**Report by:** Cabinet Member for Fairer Chelmsford

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**Officer Contact:** Phil Reeves, Accountancy Services Manager

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## Purpose

1. To report the capital expenditure incurred in 2019/20 and the resources used to finance it.
2. To update the approved Capital Schemes for variations in cost which have been identified at outturn and to date.
3. To update the approved Asset Replacement Programme for 2020/21 for variations in cost and timing which have been identified at outturn and to date.

## Options

To either accept or reject the recommendations.

## Preferred option and reasons

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

## Recommendations

That the Cabinet approves the following:

1. a new scheme and cost increases are proposed, £178k, shown in **Appendix 1** and detailed in **paragraph 3.1** of this report;
2. the proposed Asset Replacement Programme for 2020/21, the increase in scheme costs £106k and the rephasing of spend from 2019/20 £129k as shown in **Appendix 3** and detailed in **paragraph 4.2** of this report.

And that the Cabinet recommends to Council that:

1. the latest proposed budgets for Capital Schemes £144.656m, shown in **Appendix 1** and detailed in **paragraph 3.1** be noted;

2. the outturn on the 2019/20 Asset Replacement Programme £3.181m, shown in **Appendix 3** and detailed in **paragraph 4.1** of this report be noted;
  3. the Asset Replacement Programme for 2020/21, £4.285m be noted as shown in **Appendix 3** and detailed in **paragraph 4.2** of this report.
  4. the method of funding of the capital expenditure incurred in 2019/20, as set out in the table in **paragraph 5** be noted;
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## 1. Background

The Council has a long-established process of preparing formal monitoring reports comparing its forecast expenditure and income with the approved estimate and reporting these to Management Team on a regular basis. These reports are also supplied to all Cabinet Members.

## 2. Introduction

There are two types of expenditure, capital and revenue.

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

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

### 2.1 Capital Programme

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

Services submit bids annually for schemes to be added to the capital programme. The schemes should add value to the organisation, provide revenue savings or additional

income, move forward Our Chelmsford: Our Plan objectives or have statutory/health and safety implications.

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

## 2.2 Capital Resources

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

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

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

## 2.3 Capital Reporting

A 'Capital Programme Update' report is taken to Cabinet in January and a 'Capital Programme Update and Outturn' report is taken to Cabinet/Council in July each year. Reports are also presented to the Audit and Risk Committee and Overview and Scrutiny during the year.

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

## 2.4 Methods of Approval

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

During the year, approval can be sought for further schemes or extensions to existing ones via supplementary approval or the use of urgency letters depending upon the level of expenditure required. An urgency letter is where the Chief Executive, in consultation with the Leader of the Council, exercises his delegation to authorise additional expenditure, on the grounds of urgency.

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



### 3 Capital Schemes

#### 3.1 Monitoring Against Latest Approved Budgets

**Appendix 1** gives the overall capital outturn information for the completed Capital Schemes at the end of March 2020 and the latest forecast expenditure for the ongoing scheme costs. It identifies the variances in total individual scheme costs.

**Appendix 1** shows that the proposed cost of the Capital Schemes has reduced by a net £166k against the latest approved budget of £144.822m, or 0.11% of the overall Capital Schemes' costs. The table below provides a summary.

Approved Budget	£144.822m
Proposed Reductions in Scheme Costs	-£0.168m
Proposed Increases in Scheme Cost Requires Approval – see <b>Appendix 1</b> Scheme number 27 Hylands Park Toilet Refurbishment	£0.078m
Proposed New Scheme Requires Approval - see <b>Appendix 1</b> Scheme number 84 CIL Integrated Cycling Infrastructure Grant – fully funded	£0.100m
Actual Increases in Completed Scheme Cost	£0.004m
Actual Reductions in Completed Scheme Costs	-£0.180m
<b>Total Proposed Budget Capital Schemes</b>	<b>£144.656m</b>

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

3.3 **Appendix 1** shows that there are some schemes reported as being delivered late. Those schemes are reliant upon conditions outside the control of Project Officers such as obtaining planning permission and consents and paying over CIL and S106 grants to third parties which are dependent upon works they have completed. The delay in the spend is favourable to the Council in terms of investment and returns.

## 4. Asset Replacement Programme

### 4.1 Monitoring Against Latest Approved Budget

**Appendix 3** shows that the final outturn for 2019/20 was underspent by £172k when compared to the approved budget of £3.353m. The majority of the variance is due to £129k of costs being moved into 2020/21, while the remaining £43k relates to cost reductions achieved in 2019/20. The table below provides a summary.

Approved Budget 2019/20	£3.353m
Proposed Change in scheme phasing	-£0.129m
Variation in Asset Replacement Cost	-£0.043m
<b>Total Outturn 2019/20</b>	<b>£3.181m</b>

4.2 **Appendix 3**, also shows that the proposed budget for 2020/21 asset replacements is £4.285m compared to the approved budget of £5.212m. This is a net decrease of £0.927m, or 17.8%. The table over page provides a summary.

Approved Budget 2020/21	£5.212m
Proposed Change in scheme phasing from 2019/20 Requires Approval – For detail see <b>Appendix 3</b> 2020/21 column “Rephasing from 2019/20 – Requires Approval”	£0.129m
Proposed New Spend to be added to the Replacement Programme Requires Approval – see <b>Appendix 3</b> 2020/21 column “New Budget Asset Replacements Requires Approval”	£0.000m
Increases in Asset Replacement Cost Requires Approval – For detail see <b>Appendix 3</b> 2020/21 column “More/Less Than Approved Budgets – More Requires Approval” See items nos.1, 2, 11 and 19.	£0.106m
Reduction in Asset Replacement Cost due to deferred schemes to later years. To remain as approved budgets in 2021/22, to be noted	-£1.162m
<b>Total Proposed Budget 2020/21</b>	<b>£4.285m</b>

4.3 **Appendix 4** provides narratives, for those variances in excess of £25k, for 2019/20 and narratives for those variances in excess of £25k for 2020/21 against the Latest Approved Budgets.

## 5.Funding of Programme

The application of resources to meet capital expenditure incurred in 2019/20 is shown in the table over page. The discussion and approval for the funding is sought in the Medium- Term Financial Strategy elsewhere on the agenda.

<b><u>Method of Funding</u></b>	<b><u>2019/20 Spend</u></b>
Capital Receipts	£3.919m
Capital Grants and Contributions	£1.463m
S106 Agreements	£2.000m
Community Infrastructure Levy (CIL)	£0.223m
External Leasing – Finance Lease	£0.840m
External Leasing – Operating Lease*	£0.199m
Internal Borrowing against Reserves	£11.650m
<b>Total</b>	<b>£20.294m</b>

\*The £0.199m Operating Leases are not included in the Capital Strategy figures shown in the Medium-Term Financial Strategy (MTFS) elsewhere on the agenda, as they are not currently deemed under accounting practice to be capital expenditure.

## 6. Conclusion

- 6.1 The total cost of the Capital Schemes is forecast to be a net £166K less than the latest approved budget.
- 6.2 The outturn on Capital schemes compared to the in-year forecast for 2019/20 is a reduction of £9.933m. This is favourable to the Council as the delay in spend reduces the requirement to internally borrow in the financial year 2019/20.
- 6.3 The 2019/20 Asset Replacement Schemes are £172k less than the latest approved budget. £129k of this variation, is due to moving the budgets forward into 2020/21.

The realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources.

6.4 The 2020/21 Asset Replacement Schemes are forecast to be £0.927m less than the latest approved budget. The majority of this is due to the deferral of replacements from 2020/21, £1.162m to later years.

6.5 The resourcing of the capital expenditure in 2019/20 is showing a requirement to internally borrow £11.650m. The cost of borrowing is reflected in the Medium-Term Financial Strategy (MTFS) Report elsewhere on the agenda, item 6.2.

6.6 Cabinet is asked to note the financing of the Capital Programme and approve the following:

In the Asset Replacement Programme for 2020/21, increases in scheme costs of £106k and the rephasing of spend from 2019/20 of £129k as shown in **Appendix 3** and detailed in **paragraph 4.2** of this report, and

In the Capital programme, a new scheme and cost increases, totalling £178k, as shown in **Appendix 1** and detailed in **paragraph 3.1** of this report.

#### List of appendices:

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

**Appendix 2** Capital Schemes Major Variations Narratives.

**Appendix 3** Asset Replacement Schemes for 2019/20, a comparison of the budgeted expenditure against the Outturn.

Also, the Asset Replacement Schemes for 2020/21, a comparison of the budgeted expenditure against the Directors of Service forecast.

**Appendix 4** Asset Replacement Schemes Major Variations Narratives for the years 2019/20 and 2020/21.

#### Background papers:

Nil

## Corporate Implications

### Legal/Constitutional:

None

### Financial:

Matching limited resources to corporate priorities

### Potential impact on climate change and the environment:

The schemes included contribute towards the Council's climate goals

### Contribution toward achieving a net zero carbon position by 2030:

A number of schemes contribute towards this goal

### Personnel:

None

### Risk Management:

Interest earnings understated and budget reductions made when not necessary

Damage to reputation

### Equality and Diversity:

None

### Health and Safety:

None

### Digital:

None

### Other:

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## Consultees:

All Services, Audit Committee

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### Relevant Policies and Strategies:

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

Medium-Term Financial Strategy

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		<b>CAPITAL SCHEMES</b>	<b>VARIATION IN TOTAL CAPITAL SCHEME COSTS</b>						
			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Outturn 31st March 2020			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>Connected Chelmsford</b>							
2,086	1	Museum Heritage Lottery Fund (HLF) Works	1,990	98	2,088	-2	2,086	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.
75	2	Museum Oaklands Park External Works and Signage	71	10	81	-6	75	Completed	Supplementary estimate approved for new scheme 29/4/19. Additional estimate approved £10k September 2019 to be funded by S106.
	3	Theatres' Toilets Phase I	155		155		155	NEW	Approved at Council February 2020 and programmed for 2021/22
	4	Theatres' Modernisation Phase I	100		100		100	NEW	Approved at Council February 2020 and programmed for 2022/23. Delegated authority to Director and Cabinet Member for Connected Chelmsford.
		<b>Fairer Chelmsford</b>							
3,461	5	Acq. Land Wharf Road and Future Development	5,000	-664	4,336	-77	4,259	In Negotiations	Approved Council July 2016.
1,333	6	Enabling Lockside Growth Area	450	4,050	4,500		4,500	In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018.
	7	Homelessness Initiatives - Acquisition of Property for Temporary Accommodation		567	567		567	Yes	Unspent budget following the completion of the Modular Unit schemes. Agreed by delegation to purchase property for use as temporary accommodation.
949	8	Investment for Future Development - Riverside Demolition	940	30	970		970	Completed	Approved at Cabinet June 2018. Additional £30k approved at Cabinet November 2019.
11	9	Acquisition of Land adjacent to Waveney Drive	11		11		11	Completed	Supplementary estimate approved March 2019
20	10	Galleywood Hall Development Industrial Units	1,200		1,200		1,200	Awaiting planning permission - Late Delivery	Approved at Council February 2019
	11	Bridge Repairs	300		300		300	No	Approved at Council February 2019. May 2020 non urgent works deferred to later year.
	12	Land Acquisition Cemetery/Crematorium	1,800	1,800	3,600		3,600	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020.
31	13	Refurbishment Bancrofts Road Office	30		30	1	31	Completed	Approved Cabinet 19/11/19. Forecast to generate additional income of £15k per annum from rent.
3,570	14	Acquisition of Investment Property	3,600		3,600	-30	3,570	Completed	Approved by Council 22/1/2020
	15	High Chelmer Roof	1,500		1,500		1,500	NEW	Awaiting Proposal
	16	Refurbishment of Commercially Leased Properties	720		720		720	NEW	Under Review
	17	Strategic Property Purchase	10,000		10,000		10,000	NEW	Under Review



			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Outturn 31st March 2020 £000s		SCHEME DESCRIPTION	Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
	18	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy	7,000		7,000		7,000	NEW	Business Case to be Developed	Approved at Council February 2020 and currently programmed for 2020/21. Delegated authority to Director and Cabinet Member for Fairer Chelmsford.	
	19	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	9,900		9,900		9,900	NEW	Business Case to be Developed	Approved at Council February 2020 and currently programmed for 2020/21. Delegated authority to Director and Cabinet Member for Fairer Chelmsford.	
		<u>Greener and Safer Chelmsford</u>									
	20	Cemetery and Crematorium Infrastructure	6,800		6,800	-1	6,800	NEW	Business Case to be Developed	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.	
39	21	Mayor's Parlour Refurbishment	49	-9	40		39		Completed	Approved supplementary estimate February 2018.	
329	22	Coval Lane Window Replacement	250	100	350		350		Yes	£250k approved Council February 2019. Additional £100k approved at Cabinet July 2019.	
	23	Civic Offices Improvement Programme	460		460	-12	460	NEW	Under Review	Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme.	
159	24	Community Safety Partnership Hub	171		171		159		Completed	Approved supplementary estimate May 2018.	
4	25	Community Flood Improvements	184		184		184		Third party Dependent - Late Delivery	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.	
84	26	Legionella Safety Works Showers and Changing Rooms Various	94		94	-10	84		Completed	£94k approved Council February 2019	
	27	Hylands Park North Kiosk Toilet Refurbishment	60		60	78	138		Under Review	£60k approved Council February 2019. Scheme rephased to later year and extent of works under review. Scheme cost may increase to £138k	
126	28	Hylands Estate Structural Work to Pleasure Garden Pond	147		147	-8	139		Yes	£147k approved Council February 2019	
32	29	Hylands' Hanbury Memorial Garden	45		45		45		Yes	Approved via supplementary estimate 2/9/19 funded by a contribution from The Friends of Hylands House (FOHH)	
	30	Galleywood Common Access Road Improvements	30		30		30	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	31	Saltcoats Park and Compass Gardens Car Park	253		253		253	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	32	Beaulieu Park Pavilion Refurbishment	57		57		57	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	33	Chancellor Park Pavilion Works	46		46		46	NEW	Yes	Approved at Council February 2020 and programmed for 2021/22.	
	34	Rivers and Waterways Improvements	600		600		600	NEW	Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Programmed over 3 years commencing 2021/22.	
	35	Mass Tree planting and Woodland Creation	4,400		4,400		4,400	NEW	Yes	Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places and the Director of Finance and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22.	
251	36	S106 Parks and Open Spaces	271	-8	263	-12	251		Completed	Approved delegation S106 report taken to Council in July. Schemes fully funded by S106. £23k scheme removed as funding being used for 22 above. Additional budget approved for Bellmead Bridge, supplementary estimate approved for £15k September 2019 to be funded from S106 contribution.	
9	37	CIL Landscape Enhancement Scheme Chignal Road	11		11		11		Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.	
		Page 25 of 87	6		6		6		No	£6k CIL funding approved July 2019 for Coronation Park Basketball Court.	

			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Outturn 31st March 2020			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			
	39	CIL Savernake Road Scout Hut Replacement Windows	4		4	-50	4		No	Approved via delegation as per CIL report March 2019 £4k for windows, CCC owned building.
519	40	Chelmsford Indoor Market Refurbishment	500	150	650		600		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. Estimate reduced by £50k. New budget reported Council February 2020.
40,056	41	Riverside Ice and Leisure Centre Scheme	950	39,216	40,166		40,166		Building Works 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.
55	42	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	43	Riverside Changing Places Grant - Pool Pod	17		17		17		Completed	£17k Pool pod approved via supplementary estimate 12/7/19 with £14k funding from ECC Changing Places Grant
22	44	Riverside Elevations	2,000		2,000		2,000		Under Review	£2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme.
35	45	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	46	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.
	47	Dovedales - Grant for Works 2020/21	42		42		42		NEW	Approved at Council February 2020 and programmed for 2020/21.
95	48	SWFLC Wet Changing Rooms Upgrade Phase 2	104		104		104		Yes	£104k approved at Council February 2019
	49	CSAC Refurbishment of Changing Room	42		42		42		Under Review	£42k approved at Council February 2019. Deferred to 2021/22 scheme will be reviewed.
89	50	Hylands House Refurbishment First Floor Accommodation	174		174		174		Yes	£174k approved at Council February 2019 3 year programme for refurbishment
24	51	Hylands House Refurbishment Terrace Room	35		35		35		Yes	£35k approved via supplementary estimate December 2019. Scheme funded by contribution from Friends of Hylands House
	52	Hylands House Banqueting Room Refurbishment	24		24		24	NEW	Yes	Approved at Council February 2020 and programmed for 2020/21.
	53	Hylands House Stable Block Toilets	44		44		44	NEW	Yes	Approved at Council February 2020 and programmed for 2022/23.
		<b>Sustainable Development</b>								
1,667	54	Flood Alleviation Scheme	6,100	400	6,500		6,500		Dependent on Third Party - Late delivery	Increased cost of scheme from EA now capped at £6.5 million approved Cabinet July 2013
1,697	55	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. An additional budget was approved at July Council for £67k to be funded from S106. The scheme is complete.

Outturn 31st March 2020 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
154	56 Public Realm Wayfinding Signs	50	104	154	-62	154	Completed	£102,000 supplementary estimate approved April 2016. This additional cost will be funded by £52,000 ECC and £50,000 S106.
43	57 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. As funding not secured from ECC the scheme has been reduced. Forecast to complete in 2020/21.
4,096	58 Public Realm Mill Yard Works	34	4,124	4,158		4,096	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. The scheme is complete, negotiations have taken place with the contractor to agree the final account which has resulted in a saving against the forecast budget.
132	59 Public Realm Tindal Square Design	160		160		160	No	Approved at Council February 2018. The design works will not be completed until 2020/21.
4	60 Public Realm City Centre Greening/Tree Planting	115		115	-33	82	Yes	Approved at Council February 2018. Three year programme.
4	61 HIF Access Road and Bridge - CCC Budget		250	250		250	Yes	Virement from 5 above sum allocated for HIF bid design works
541	62 HIF Access Road and Bridge - Grant Funded	15,500		15,500		15,500	NEW Yes	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme.
1,461	63 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.
1,793	64 S106 Beaulieu Park Station 2nd Phase	2,917		2,917	-4	2,917	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.
66	65 S106 Public Art Mill Yard	70		70		66	Completed	£70k approved via delegation March 2018. Expenditure to be funded by S106.
1,311	66 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.
4	67 S106 Public Art Bond Street	44		44		44	Yes	Approved by delegation February 2019.
1	68 S106 Stonebridge Illuminations	37	6	43	3	43	Yes	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k
2	69 S106 River Can Pathway Lighting Design	10	6	16		16	NEW Yes	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k
6	70 S106 Public Art Channels	21		21		21	NEW Yes	Approved by delegation January 2020 £21k.
3	71 S106 Habitat Mitigation			0		3	NEW Yes	Request from Essex County Council for grant from S106 towards the cost of works carried out in 2019/20.
111	72 CIL REFCUS Schemes 18/19	69	83	152	-41	111	Completed	Various schemes approved July 2018. Revenue Expenditure Funded by Capital Under Statute (REFCUS). Additional £42k approved by Cabinet November 2019.
37	73 CIL REFCUS Schemes 19/20	72	30	102		102	Yes	Scheme approved April 2019 £72k. Revenue Expenditure Funded by Capital Under Statute (REFCUS). NEW £30k various CIL schemes approved July 2019.
	74 CIL REFCUS Schemes 20/21	17		17		17	NEW Unspecified	£17k Approved March 2020.
	75 CIL Sutherland Lodge Refurbishment	525		525		525	Awaiting Business case - Late delivery	Approved Council July 2017.
48	76 CIL North Avenue Youth Centre Grant	41	15	56	80	56	Yes	Approved CIL funding April 2018. NEW Additional £15k CIL funding approved July 2019.
	77 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.

			Latest Approved Budget - Approved Council February 2020 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Outturn 31st March 2020			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			
52	78	CIL Langton Ave Community Centre Grant Phase 2	52		52	100	52		Yes	CIL funding approved July 2019
10	79	CIL Moulsham Lodge Community Centre Café (MLCT)	47		47		£37k NEW	Yes	CIL funding approved July 2019	
1	80	CIL Sanctus First Floor Refurbishment Grant	15		15			Yes	CIL funding approved July 2019	
	81	CIL Homelessness Day Centre CHESS New London Rd	300		300			Yes	CIL funding approved July 2019	
	82	CIL Age Concern First Floor Extension Grant	212		212		NEW	Yes	Approved scheme with CIL funding March 2020.	
29	83	CIL Chelmsford Community Transport Minibus Grant	29		29		NEW	Yes	Approved scheme with CIL funding March 2020.	
	84	CIL Integrated Cycling Infrastructure Grant			0		NEW	Yes	CIL funding approved at meeting of the CIL Panel 23/1/2020.	
4	85	High Chelmer Multi Storey Car park (HCMSCP) Movement Joints	105		105			No	Approved at Council February 2017. Scheme was originally forecast to complete by September 2018. These works are now being carried out with the drainage works (scheme 85) and it is anticipated that they will be completed in 2020/21.	
6	86	HCMSCP Drainage Improvements	31		31			No	Approved at Council February 2018. See scheme 84 for details.	
49	87	Enabling Role - Housing	3,841	-3,604	237		237	Dependent on Third party - Late delivery	Budget reduced as vired to fund temporary accommodation - see scheme no. 5. The remaining balance is for a previously agreed payment to CHP.	
66,842	Grand Total		94,376	50,446	144,822	-166	144,656			
					Net Variation	-166				
			Summary of Changes Since Previous Council Reports February 2020							
76,775	Total Forecast Outturn to 31/3/2020						£000's			
			Latest Approved Council February 2020				84,853			
-9,933	Variation Outturn 31/3/2020 Compared to Forecast									
			New Schemes Approved February Council				59,957			
			Supplementary Estimates Approved for Existing Schemes				12			
			Completed schemes removed				0			
			Total Approved Budget				144,822			
			Latest Forecast Variations shown above (Increased Budgets Require Approval)				-166			
			Latest Forecast Budget March 2020				144,656			

<b>Capital Schemes - Reasons for Projected Variations to Latest Approved Total Scheme Costs More Than £25,000</b>							
Scheme Description	Latest Approved Budget	Latest Estimated Expenditure - If Additional Budget Requires Approval	Variation	Variation Type	Percentage Change in Scheme Cost	Reason	
	£000's	£000's	£000's				
<b>Director of Fairer Chelmsford</b>							
5 Acq. Land Wharf Road and Future Development	4,336	4,259	-77	Saving on Budget	-1.78%	Following a review of transactions the seller refunded £77k on the purchase of land in 2018/19 which has resulted in a saving.	
14 Acquisition of Investment Property	3,600	3,570	-30	Saving on Budget	-0.83%	Saving against the original budget following completion.	
<b>Greener and Safer Chelmsford</b>							
27 Hyland's Toilet Refurbishment	60	138	78	Additional Budget Required	130.00%	Scheme has been delayed due to design issues and budget restrictions. Decision taken to postpone to 2021/22. The original scheme was for 'refresh' of existing facilities as an interim measure. This is proving difficult to achieve and not particularly good value for money, so deferral to develop scheme for reconfiguration and full refurbishment of facility. This would require increasing budget to £138k and the subject of future Cabinet item.	
40 Chelmsford Indoor Market Refurbishment	650	600	-50	Saving on Budget	-7.69%	Service manager has advised that this scheme is nearing completion with some outside works still to be completed and is confident that there will be a saving against the approved budget.	
<b>Sustainable Development</b>							
58 Public Realm Mill Yard Works	4,158	4,096	-62	Saving on Budget	-1.49%	Final account settlement lower than anticipated resulting in a saving on the scheme.	
60 Public Realm City Centre Greening/Tree Planting	115	82	-33	Saving on Budget	-28.70%	£33k saving on capital budget due to spend being reclassified as revenue in 2019/20.	
72 CIL REFCUS Schemes 18/19	152	111	-41	Saving on Budget	-26.97%	Programmed spends against this budget have been reported as completed and therefore the CIL funding will not be required. The CIL was used to fund additional PCSO's and has now been reported as complete.	
84 CIL Integrated Cycling Infrastructure	0	100	100	Additional budget required fully funded by CIL	100.00%	CIL funding approved via delegation. Approval required for spend to be included in capital programme	

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							
Outturn to 31/03/2020	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	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	Approved Replacements Deferred from 2020/21 to Later Years	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>																	
143	1 Digital Services Replacement Programme	390	-254	PH, PV	136	-1		8	7	143	342			342	1	30		373
	Financial Module of Enterprise Resource																	
174	2 Planning (ERP)	272	-88	V, PH	184	-10			-10	174	38			38	10	41		89
	3 Civica System Upgrade	36	-36	PH	0				0	0	36			36				36
7	4 Leisure Management System	10			10			-3	-3	7				0				0
72	5 Theatres' Fire Alarm Replacement	87			87	-15			-15	72				0	15			15
	6 Theatres' Equipment				0				0	0	149			149				149
	7 Cramphorn Theatre Replacement Floor										17			17				17
	<b>Fairer Chelmsford</b>																	
	No Schemes				0				0	0				0				0
	<b>Greener and Safer Chelmsford</b>																	
16	8 CCTV Replacement Equipment	65	-49	PV, PH	16				0	16	50			50				50
27	9 CCTV Replacement Cameras	58	-33	PV, PH	25			2	2	27	68			68				68
	10 CCTV Various Schemes Sites CIL	15	-15	SEG, PH	0				0	0	64	3		67				67
	11 CCTV Maldon DC Joint Procurement		0	SEG, PH	0				0	0	69			69		5		74
	12 Crematorium Equipment	6	-6	PH	0				0	0	17			17				17
	13 Crematorium Columbarium				0				0	0	14			14				14
147	14 Civic Centre Alarm	193			193	-46			-46	147				0	46			46
	15 Civic Centre Boiler Flues	32	-32	PH	0				0	0	32			32				32
37	16 Civic Centre Building Management System	50			50	-13			-13	37				0	13			13
17	17 Print and Post Room Replacement Equip.		18	SEN	18			-1	-1	17	25			25				25
	18 Dovedales Replacement Equipment	5	-5	PH	0				0	0	5			5				5
31	19 Riverside Replacement Equipment	30			30			1	1	31	80			80		30		110
44	20 Riverside Ice Rink Barrier	16	23		39			5	5	44				0				0
15	21 CSAC Replacement Equipment	24			24	-8		-1	-9	15	52			52	8			60
	22 CSAC Flood lights	29	-29	PH	0				0	0	29			29				29
5	23 SWFLC Replacement Programme	5			5				0	5	58			58				58
11	24 CSAC Plant Replacement	11			11				0	11				0				0
10	25 SWFLC Plant Replacement	16	-4	PH	12			-2	-2	10	19			19				19
35	26 Riverside Plant Replacement	44			44	-8		-1	-9	35	40			40	8			48
54	27 Hylands Pavilion Audio Visual Equipment	57			57			-3	-3	54				0				0
	28 Hylands Pavilion Replacement Flooring				0				0	0	48			48				48
236	29 Play Area Replacements	247			247			-11	-11	236	265			265				265
15	30 Accessible Play Equipment		15	SEG	15				0	15				0				0
	31 Sports Equipment, floodlights, Irrigation	10	-10	PH	0				0	0	10			10				10
271	32 Parks Replacement Vehicles and Equipment	420	-162	PH/IPV	258	13			13	271	218			218	-13			205
	33 PHPS Vehicles - Litter Control Van	24	-24	PH	0				0	0	24			24				24
	34 PHPS Street Lighting				0				0	0	21			21				21
	35 CIL Street Lighting Meadows Car Park				0				0	0				5				5
42	36 Freightier House Plant	68			68	-16		-10	-26	42				0	16			16
	37 Travel pool Cars				0				0	0				60				60
15	38 Freightier House Canopy Recycling Bays	13	2	PV	15				0	15				0				0
3	39 Scootas for the Disabled		5	SEN	5			-2	-2	3	2			2				2
	40 Retail Market Intruder Alarm	13			13	-13			-13	0				0	13			13

Outturn to 31/03/2020	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	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	Approved Replacements Deferred from 2020/21 to Later Years	Total Proposed Budget Requirement for 2020/21
15	41 Retail Market LED Lighting	16			16			-1	-1	15							0				0
	42 Retail Market Vehicle				0				0	0				24			24				24
93	43 Bus Shelters	85	8		93				0	93							0				0
8	44 Street Cleansing Vehicles	7	1		8				0	8				356			356			-356	0
	45 Wet Team Vehicles				0				0	0				71			71				71
	46 Wet Team Equipment				0				0	0				8			8				8
	47 Dog Litter Van				0				0	0				92			92				92
	48 Hit Squad Replacements	50	-50	PH	0				0	0				50			50				50
158	49 Refuse Collection Vehicles	159			159			-1	-1	158				696			696			-174	522
682	50 Recycling Vehicles	721	-42	PV, PH	679			3	3	682				1,085			1,085			-614	471
199	51 Food Waste Collection Vehicles	199			199				0	199							0				0
	52 Service Development Van				0				0	0				18			18			-18	0
	53 Healthy Home Loans				0				0	0							0				0
567	54 Disabled Facility Grants	600			600			-33	-33	567				600			600				600
32	55 PLACE Funding (Empty Homes)	25			25			7	7	32							0				0
	56 Housing Standards	12			12	-12			-12	0							0	12			12
	<b>Sustainable Development</b>																				
	57 Pay and Display Machines Off Street				0				0	0				207			207				207
	58 Car Park LED Lighting				0				0	0				8			8				8
	59 Car Park CCTV Upgrade	137	-137	PH	0				0	0				137			137				137
3,181	Totals	4,257	-904		3,353	-129	0	-43	-172	3,181				5,144	68		5,212	129	106	-1,162	4,285
								-43										235			
																		-927			
																					</

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>Greener and Safer Chelmsford</u></b>						
14	Civic Centre Alarm	193	147	-46	Rephasing of Spend	-23.83%	Delays in the completion of the scheme.
36	Freighter House Plant	68	42	-26	Rephasing of Spend and saving on approved budget	-38.24%	£10k saving and £16k rephased to 2020/21.
54	Disabled facility Grant	600	567	-33	Underspend against budget	-5.50%	The service forecast that they would be able to spend £600k of the £971k grant awarded. It is difficult for the service to predict the level of spend as it is based on third party applications and the timing of completed third party building works.
	<b><u>2020/21</u></b>						
	<b><u>Greener and Safer Chelmsford</u></b>						
1	Digital Services Replacement Programme	342	373	31	Increase in Budget	9.06%	Additional purchase of laptops to enable homeworking due to the impact of Covid -19.
2	Financial Module of Enterprise Resource Planning (ERP)	38	89	51	Increase in Budget	134.21%	Additional budget provision of £41k for unforeseen issues arising from the impact of Covid - 19 which includes a £20k contingency. £10k has been rephased from 2019/20.
14	Civic Centre Alarm	0	46	46	Rephasing of Spend	100.00%	See details above.
19	Riverside Replacement Equipment	80	110	30	Increase in Budget	37.50%	This budget is for the replacement of the ice cutting machine. An increase in budget is requested as the machine will now be replaced with an electric version that has a higher purchase price which should be offset over its 10 year life by savings in gas and will also contribute towards the Council achieving zero carbon emissions by 2030. The existing machine will be traded in with a value of £15k which will partially offset the new vehicle increased cost.
44	Street Cleansing Vehicles	356	0	-356	Rephasing of Spend	-100.00%	Review of requirements in year has resulted in the deferral of spend to a later year.
49	Refuse Collection Vehicles	696	522	-174	Rephasing of Spend	-25.00%	Review of requirements in year has resulted in the deferral of spend to a later year.
50	Recycling Vehicles	1085	471	-614	Rephasing of Spend	-56.59%	Review of requirements in year has resulted in the deferral of spend to a later year.





## Chelmsford City Council Cabinet

8<sup>th</sup> July 2020

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### Treasury Management Outturn Report 2019/20

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#### Report by:

Cabinet Member for a Fairer Chelmsford

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#### Officer Contact:

Phil Reeves, Accountancy Services Manager, 01245 606562, [phil.reeves@chelmsford.gov.uk](mailto:phil.reeves@chelmsford.gov.uk)

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#### Purpose

Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), Members are required to receive a report on the Treasury Management activities that took place in 2019/20.

#### Options

Recommend this report to Council or amend the report

#### Preferred option and reasons

Recommend the report to Council for consideration to meet statutory obligations

#### Recommendations

That Cabinet endorse the contents of this report and requests that Full Council consider the information provided for the 2019/20 outturn.

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## 1. Background

- 1.1. Cabinet and Council are legally responsible for treasury management. The attached report enables Cabinet and Council to review treasury management activity for 2019/20 against the approved strategy for that year.
- 1.2. The report in Appendix 1 complies with the CIPFA Code of Practice and relevant Government regulations.
- 1.3. Members of the Treasury Management & Investment Sub-Committee have reviewed the contents of the report and Treasury management activity for the year and recommended that the Cabinet consider endorsing it.

## 2. Conclusion

- 2.1. Cabinet is asked to review the Treasury Management Activity for the year as detailed in Appendix 1 and recommend it to Council to consider.

### List of appendices:

Appendix 1 – Treasury Management & Investment Subcommittee Report - Treasury Management Outturn Report 2019/20

### Background papers:

Nil

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## Corporate Implications

Legal/Constitutional: The report is meets statutory obligations on reporting Treasury Management Activity

Financial: As detailed in the report

Potential impact on climate change and the environment:

Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an

engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

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

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management:

The report is part of the Council's approach to manage risks arising from Treasury Management

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

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Consultees:

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Relevant Policies and Strategies:

Treasury Management Strategy 2019/20

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Chelmsford City Council    Treasury Management and Investment  
Sub-Committee

22 June 2020

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Treasury Management Outturn Report 2019/20

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Report by:

Director of Financial Services

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Officer Contact:

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

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Purpose

Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), Members are required to receive a report on the Treasury Management activities that took place in 2019/20.

Recommendations

Recommend the Treasury Management Outturn Report 2019/20 to Cabinet or amend as appropriate.

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1. Introduction

- 1.1. The CIPFA Code of Practice for treasury management sets out the requirements for oversight by the Council of its treasury management operations. As part of the Code, the Council is required to receive an annual report on the performance of the

treasury management function which highlights the effects of decisions taken and the circumstances of any non-compliance with the Code and the Council's Treasury Management Strategy.

## 2. Background

2.1. The Council can expect to have cash to invest arising from its revenue and capital balances, and collection of Council Tax. This cash can be usefully invested to produce a return to help support services and Council Tax. The activities around the management of this cash are known as 'Treasury Management'.

2.2. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

*"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*

2.3. 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.

2.4. 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.

2.5. The operation of Treasury Management is not without risk and the Council could suffer losses if one of its counterparties had financial difficulties.

2.6. The Council formally reviews its investment holdings in the following ways:

- Treasury Management Strategy report in February
- Treasury Outturn report in July
- A half year update in November

- Treasury Management sub-committee to monitor Treasury Activity during the financial year.

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

**Appendix A – Economic Environment Update**

**Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2019/20 Strategy**

**Appendix C – Treasury Performance Indicators for 2019/20**

### 3. Summary of Review

- 3.1. During the financial year, there was one breach against the Treasury Management Strategy which resulted in a negligible risk to Council funds as previously reported. This was rectified as soon as operationally possible and did not result in any losses. Other than this the Council has operated within its Treasury Management Framework.
- 3.2. The CCLA fund dropped in capital value by £240k but is still valued at £1.5m over the initial investment made by the Council. As previously identified in the strategy, there will be short-term fluctuations in capital value but the Fund Manager expects there to be some recovery during 2021.
- 3.3. The Council's investment holdings on the 31st March 2019 were £47.0m and £50.4m on 31st March 2020. The average investment balance during the year was slightly higher than allowed for in the budget due to re-phasing of the capital programme and additional CIL contributions.
- 3.4. Interest earnings from investments were some £0.77m, which was above the budget of £0.54m mainly because of a higher average cash balance than expected.
- 3.5. The return on investments in 2019/20 was 1.25% compared to the budgeted rate of 1.01%.

### 4. Conclusion

- 4.1. It should be noted that apart from one breach during the year, the Council's Treasury Management has operated within approved parameters, has resulted in no realised losses and interest earnings of £0.77m which have helped to support Council services.

## List of appendices:

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2019/20 Strategy

Appendix C – Treasury Performance Indicators for 2019/20

## Background papers:

None

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## Corporate Implications

Legal/Constitutional: None

Financial: As detailed in report.

Potential impact on climate change and the environment: The Council's Climate and Ecological Emergency Action Plan as agreed at Cabinet 28<sup>th</sup> January 2020 included review of the Council's investment strategy in light of the Climate and Ecological Emergency Declaration.

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees: None

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## Relevant Policies and Strategies:

Treasury Management Strategy 2019/20

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## **Appendix A – Economic Environment Update**

### Introduction

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

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

### Economic factors

Uncertainty surrounding Brexit and the impact of Coronavirus had the most significant effects on the UK economy in 2019/20 and are expected to continue to impact further going into 2020/21.

The UK Bank of England base interest rate started the year at 0.75% before the impact of Coronavirus resulted in two cuts to the rate in March 2020 with a year-end interest rate of 0.10%. Inflation year to March was 1.5% (CPI). Low levels of unemployment continued, but are likely to increase in 2020/21 with the impact of Coronavirus playing out. It is now very unlikely that interest rate increases will happen in the short to medium term due to the impact of Coronavirus with some forecasters suggesting a negative Bank of England base rate could be introduced.

This has led to the Council's fixed and variable rate investments continuing to earn historically low levels of interest, with this expected to continue into 2020/21. The Council have locked into a number of Local Authority deals at favourable fixed rates due to the uncertainty surrounding Coronavirus.

The retail property sector in particular has been impacted significantly by Coronavirus at the end of the year, even before the lockdown was enforced. The valuation of the Council's investment in the CCLA Property Fund decreased by £0.2m in the year, leaving the Council's unrealised gain at £1.5m on its initial investment. The income yield for the year was 4.48%, as measured against the current £6.5m market value. Capital values in the Fund are down by a further £0.2m as at the end of May, but the Manager believes these are not expected to fall much further with recovery predicted moving into 2021. The Fund is currently closed for redemptions and purchases as identifying a fair value for transactions is currently difficult. The fund will only be paying investors on the basis of income collected and is aiming to pay between 70-75% of the normal dividend during 2020/21. The income returns are again expected to recover moving into 2021/22 and further information about the shape of the Fund is given below.

CCLA are expecting the property sector to return to a more normal position by next year. The asset shape of the CCLA's holdings should also protect returns moving forwards as they have less retail property than many other property funds in the sector.



The significant proportion of the CCLA's investments are in industrial and high-quality office accommodation, which have both held up well in the current situation with the Coronavirus.

The impact of Coronavirus affected Treasury Management in 2019/20 and will continue to do so in 2020/21. The April 2020 CIPFA Treasury and Capital Management Update Bulletin said the following about the impact of Coronavirus:

"The Panel would recommend that day-to-day cash flow management is prioritised during and immediately after the Covid-19 period. Forecasted cash flows are likely to be on a downward trend for the medium to long term."

As such the Council will endeavour to keep more of its cash than usual at shorter durations in order to account for the uncertainty explained above. This in turn, is likely to impact on interest income returns moving into 2020/21.

## **Appendix B – Borrowing and Actual Investment Activity compared to the Approved Strategy for 2019/20**

### **External borrowing**

1. The Council became effectively debt free on the 16th September 2002, when it repaid all its PWLB debt. The Council therefore only has the freedom to borrow in the following circumstances:

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

The Council did not need to borrow in 2019/20.

2. Finance leases are deemed by Government to be a type of borrowing in the Council's Accounts and Treasury reporting must identify that the Council has borrowed money when they are used. At 31st March 2020, the Council had outstanding finance lease liabilities of £738,000.

### **Investments**

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

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

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

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

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

- Shorter term, lower yielding investments – these investments are invested for relatively short durations, normally 3-6 months, in order to ensure that the maturity profile of investments matches the peaks and troughs in the Council's liquidity needs – particularly for the final 2 months of the year where council tax income falls significantly due to the 10 monthly instalments most residents choose to pay in.

- Longer term, higher yielding investments – these are investments of ‘core cash’ which the Council does not require for operational purposes within the short to medium term. These funds can be invested for a year or more in appropriate counterparties in order to generate higher yields without causing liquidity issues.

6. During 2019/20 the Council's investment portfolio has remained relatively similar in size from £47.0m to £50.4m. The increase in balance reflects re-phasing of capital schemes from 2019/20 into later years and higher than anticipated levels of CIL income.

### **Compliance with Treasury Management Strategy**

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

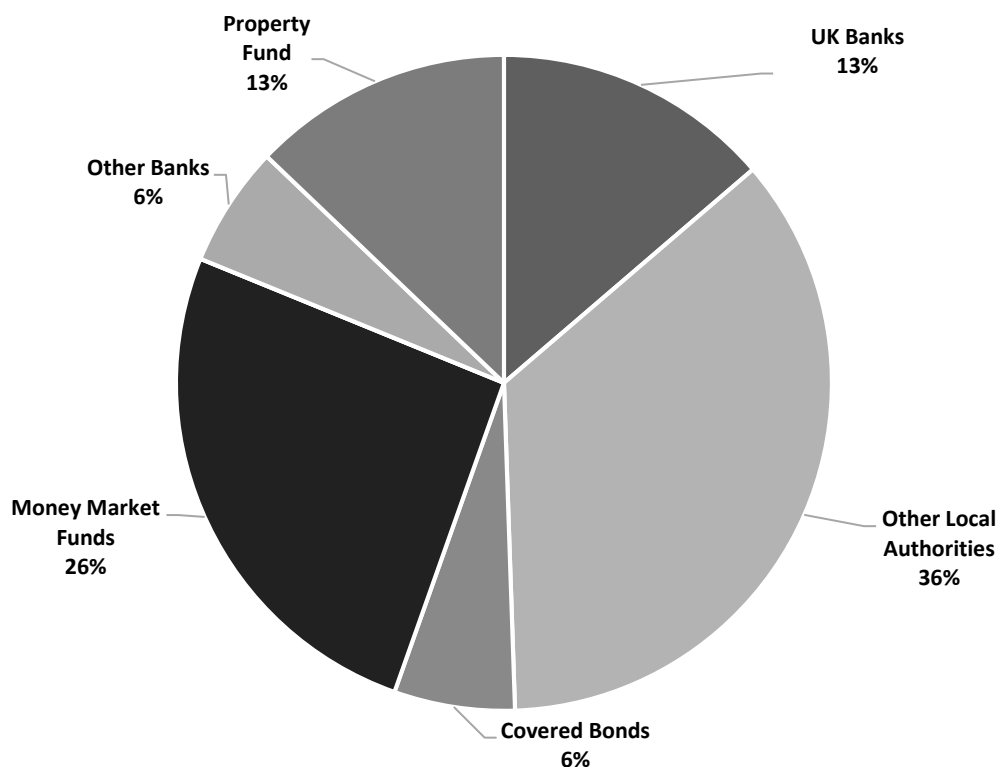
- |  |  |
|--|--|
| a. <b>To ensure that there are no breaches of the approved counterparty limits or durations</b>  | One breach occurred to counterparty limits in 2019/20 as previously reported.  |
| b. <b>The option to invest further sums in pooled funds</b>  | No additional investments in longer term funds took place in 2019/20.  |
| c. <b>To continue holding up to £8m (£5m initial investment plus a generous allowance for unrealised capital growth) investment in the CCLA Local Authority Property Fund</b>  | The CCLA depreciated in value during 2019/20, largely due to the impact of Coronavirus. However, £291k in dividend income was still realised. The Council's investment was valued at £6.48m as at 31 <sup>st</sup> March 2020. |
| d. <b>Limit investments over 365 days in duration to £18m</b>  | Investments with a duration in excess of 365 days did not exceed £18m in the year.   |
| e. <b>Ensure that no more than 75% of the Council's Portfolio is invested for periods of greater than 3 months at any one time</b>   | No breach occurred.  |
| f. <b>In exceptional circumstances allow short borrowing on occasions to cover any liquidity shortfalls caused by the unexpected timing of payments or to avoid the opportunity costs of liquidating certain investments</b> | No exceptional borrowing was required in 2019/20.  |

In 2019/20, the Council remained mindful of the risk of Bail-in losses from unsecured lending to banking counterparties.

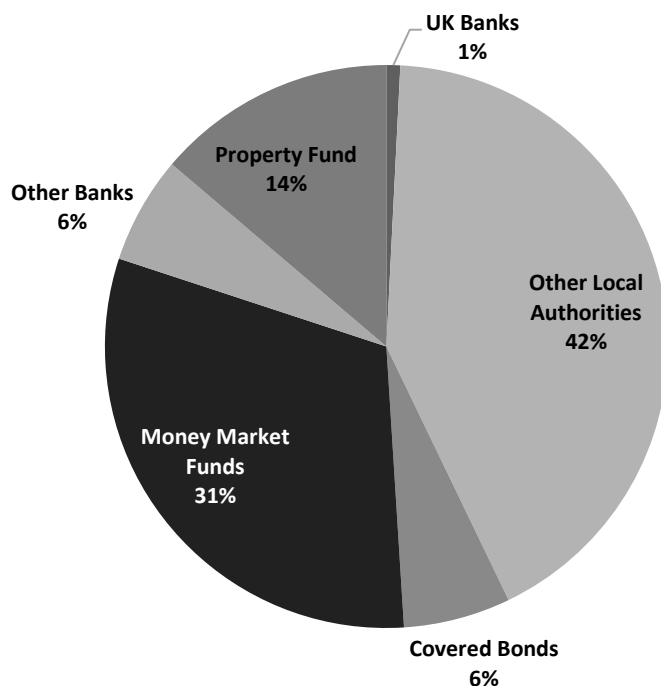
As at 31<sup>st</sup> March the Council's exposure to Bail In risk (direct lending to banks and building societies) was 20%, against 7% at the end of the previous financial year. Year ending exposure tends to be lower than the average exposure because, where possible, the Council takes advantage of higher rates offered by other local authorities in the final quarter of the year. However, due to the uncertainty surrounding the impact of Covid-19, the Council chose to hold a higher proportion of its cash in liquid accounts in order to protect against potential cashflow problems. Two notice accounts were also set up in 2019/20 with HSBC and Lloyds to take advantage of the slightly higher interest rates on offer.

<b>Exposure</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Bail In Risk -Direct investment	13%	7%	20%
Bail In Risk – Pooled Fund Managers and Money Market Funds	25%	31%	26%
Exempt from Bail In (including CCLA)	62%	62%	54%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Investment at 31/03/20 By Sector



## Investment at 31/03/19 By Sector



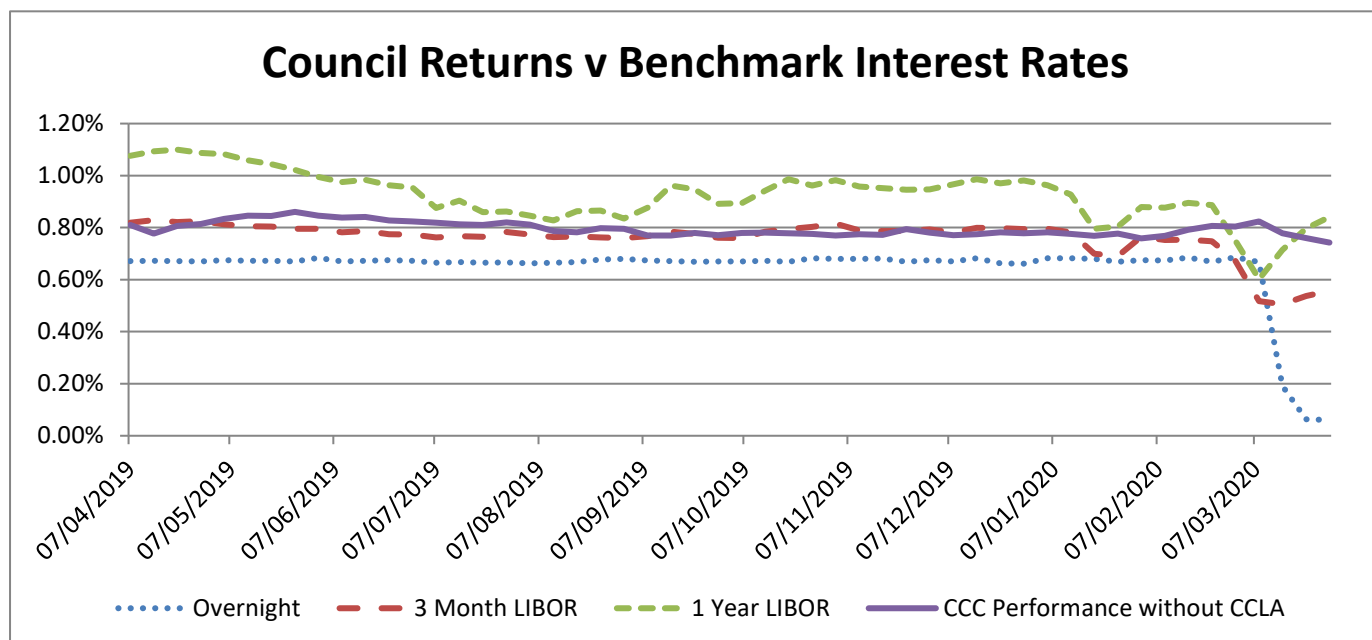
<u>Counter Party</u>	<u>31/03/2020</u>	<u>Limits for 2019/20</u>
<u>Short-Term Money Market Instant Access Funds</u>		
	£s	£s
BlackRock MMF	306,000	6,000,000
Aberdeen Constant Fund	5,925,000	6,000,000
Federated Money Market Fund	5,241,000	6,000,000
Invesco Money Market Fund	1,500,000	6,000,000
CCLA Property Fund	6,482,180	8,000,000
UK Treasury Bills	0	Unlimited
<u>Banks</u>		
Natwest	912,000	3,000,000
HSBC	3,000,000	3,000,000
Lloyds	3,000,000	3,000,000
DBS (Development Bank of Singapore)	3,000,000	3,000,000
<u>Local Authorities</u>		
Wirral Borough Council	5,000,000	20,000,000
Eastleigh Borough Council	2,000,000	20,000,000
London Borough of Croydon	5,000,000	20,000,000
West Dunbartonshire Council	3,000,000	20,000,000
Thurrock Borough Council	3,000,000	20,000,000
<u>Fixed and Floating Bonds</u>		
FRN – Barclays	3,000,000	6,000,000
	<u>50,366,180</u>	

## Return on investments

8. Interest rates remained at very low levels throughout 2019/20, culminating in a drop of the Bank of England base rate in March to 0.25% and then 0.10%. Consequently, returns remain below the prevailing inflation rate, resulting in negative real rates of return on funds invested.

Comparisons by Arlingclose out of 127 authorities (143 last year) show the City Council's returns remained in the second quartile for authorities in March 2020 (50<sup>th</sup> highest) compared to March 2019 (49<sup>th</sup> highest). This shows that comparative performance remains significantly lower in terms of total return ranking than its high point early in 2016 (22<sup>nd</sup> highest), and December 2015 (10<sup>th</sup> highest). Over this period many authorities have invested more extensively in property funds, bond funds, equity funds and mixed asset funds. Consequently, Chelmsford has moved further down the total return curve.

The LIBOR (London Inter Bank Offered Rate) rates below show the interest levels that London based banks charge each other. These highlight the historically low levels of interest rates and provide context for the Council's own investment returns.



	<b>Market investments (excluding CCLA)</b>	<b>CCLA Investment Yield</b>	<b>All Investments</b>
	<b>Year ending 31/03/2020</b>		
<b>Average yield</b>	0.86%	4.48%	1.25%

## Security

The CCLA fund dropped in capital value by £240k but is still valued at £1.5m over the initial investment made by the Council. As previously identified in the strategy, there will be short-term fluctuations in capital values but the Fund Manager expects there to be some recovery during 2021.

## **Conclusion**

The Council had one breach during the year through investing above agreed Counterparty Limits. This was rectified as soon as operationally possible and did not result in any losses.

Other than this the Council has operated within its Treasury Management Framework. This has enabled the Council to safeguard its financial assets and produce a good level of return relative to the prevailing market interest rates.

## Treasury Management Performance Indicators

Period Ending: 31/03/2020

### Security

	Year 2019/20	Projected as at Nov 19	Target for year
	31/03/2020	31/03/2020	31/03/2020
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	45.40%	50.00%	50.00%

Target for year	Target for year	Target for year
2021/22	2022/23	2023/24
No breach	No breach	No breach
No breach	No breach	No breach
50.00%	50.00%	50.00%

### Liquidity

	Year 2019/20	Projected as at Nov 19	Target for year
	31/03/2020	31/03/2020	31/03/2020
Target - At least £10m maturing in 100 days or less	£ 35,884,000	£ 30,000,000	£ 10,000,000
Require - Investments maturing in more than 365 days not to exceed target	£ 14,482,180	£ -	£ 18,000,000

Target for year	Target for year	Target for year
2021/22	2022/23	2023/24
£ 8,000,000	£ 8,000,000	£ 8,000,000
£ 10,000,000	£ 10,000,000	£ 10,000,000

£ 50,366,180	£ 30,000,000
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	Actual Borrowing 2019/20	Projected as at Nov 19	Target for year
	31/03/2020	31/03/2020	31/03/2020
Requirement - Authorised Limit of Borrowing	£ 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
2021/22	2022/23	2023/24
£ 45,000,000	£ 45,000,000	£ 45,000,000
£ 25,000,000	£ 25,000,000	£ 25,000,000

### Yield

	Year 2019/20	Projected as at Nov 19
	31/03/2020	31/03/2020
Average yield on cash portfolio	0.86%	0.72%
3 month Libor benchmark	0.56%	0.63%
Average yield on CCLA	4.48%	4.14%
Average yield on total portfolio	1.25%	1.20%
1 year Libor benchmark	0.84%	0.85%





## Chelmsford City Council Cabinet

8 July 2020

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### Medium-Term Financial Strategy 2021/22 – 2025/26

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#### Report by:

Cabinet Member for Fairer Chelmsford

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#### Officer Contact:

Amanda Fahey, Director of Financial Services, [amanda.fahey@chelmsford.gov.uk](mailto:amanda.fahey@chelmsford.gov.uk), 01245 606401

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#### Purpose

To present a Medium-Term Financial Strategy for the period 2021/22 – 2025/26, which provides the framework to deliver a stable and sustainable financial position to enable the Council to achieve its strategic objectives, and which will support preparation of the 2021/22 budget. The report also sets out a Medium-Term Financial forecast, which is produced for indicative planning purposes, as final decisions on the overall Budget and Council Tax level will be made by Council in February 2021.

#### Options

1. To agree the Strategy set out at Appendix 1
2. To make changes to the Strategy

#### Preferred option and reasons

Option 1: The Strategy set out at Appendix 1 provides a framework to commence preparation of the detailed budget for 2021/22, taking account of the latest financial projections over the medium-term and the financial risks facing the Council.

## Recommendations

1. That Cabinet note the Medium-Term Financial Forecast and the principal issues and risks associated with the forecast and considered in preparing the Strategy
2. That delegated authority is given to the Director of Financial Services, in consultation with the Cabinet Member for Fairer Chelmsford, to update the forecast and make any consequential changes to the report in light of measures arising out of the emergency budget expected 8 July 2020, before presentation of this report to Council 22 July 2020
3. That Cabinet recommend to Council for approval;
  - a. the Medium-Term Financial Strategy 2021/22 – 2025/26 (Appendix 1)
  - b. the approach to reserves set out at section 7 and at Appendix 4, including the transfer of reserves in both 2019/20 and 2020/21 to support the General Fund balance set out in paragraph 7.13
  - c. the updates to the capital strategy set out in Appendix 3, which reflect the additional internal borrowing as a consequence of the transfers above
  - d. the budget guidelines for preparation of the 2021/22 budget set out at Appendix 5

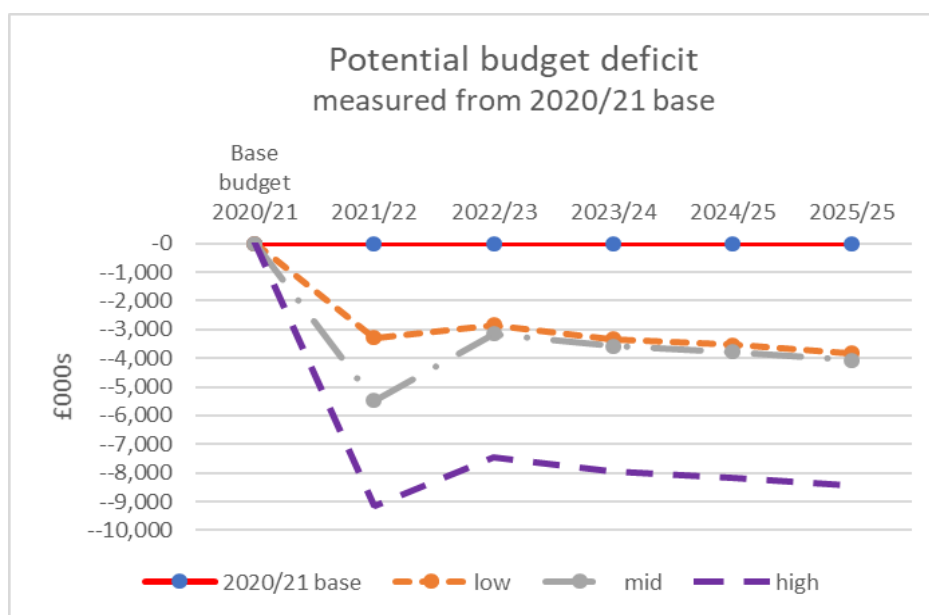
## 1. Introduction

- 1.1. In January 2020, the Council approved a Medium-Term Financial Strategy for the period 2020/21 to 2024/25, providing a financial framework to support delivery of the Council's priorities, as set out in "Our Chelmsford; Our Plan".
- 1.2. As noted in the introduction to that report, the Strategy by necessity needs to be responsive to changing national and local conditions in order to take account of emerging risks to the Council's financial position and to protect the financial health of the Council. It is therefore appropriate at this time to review the Strategy, particularly in light of the significant impact of the coronavirus pandemic, Covid-19.
- 1.3. Recognising that the course of the pandemic, and its effects on the Council's finances, are extremely difficult to predict, it is proposed that the Strategy will be further reviewed in the third quarter of 2020/21, ahead of budget setting for 2021/22. This will allow the assumptions used within the forecasting model to be refined using the most up-to-date data. It is important however, that the Council considers the risks to its financial position in a timely manner and puts measures in place now to secure a sound financial position.

## 2. Executive Summary

- 2.1. The Covid-19 pandemic has had a major impact on the Council's finances. The latest estimate of the financial cost to the Council in the current year alone is almost £9.5m, even after allowing for government support received by mid-June. These estimates are changing constantly as new information comes out from Government and the Council adapts its response.
- 2.2. The Council has been particularly affected by a fall in income as lockdown measures have seen leisure centres and theatres closed and shoppers and commuters staying away from our carparks. These income streams account for over half of the Council's total income and are relied on to fund services to the public as the Council only receives a small proportion of the Council Tax and Business Rates it collects.
- 2.3. Forecasting the changes to the Council's budget over the next five years is almost impossible in the circumstances. However, it is necessary to understand the potential scope of any shortfall over the medium term and make plans to mitigate the financial risk to the Council.
- 2.4. The revenue budget, used for day-to-day spending and the provision of services to the public, is coming under pressure from annual inflationary increases to pay, utilities and premises costs, from demand pressures in services such as housing, the rising cost of pensions, reduced interest receipts as bank rates fall and volatility in markets for recyclables. Even after offsetting these pressures by similar inflationary increases to income and modest growth in Council Tax, the potential shortfall in 2021/22 is £2m. Adding a range of assumptions for income reductions increases this shortfall to £3.2m, £5.5m or £9.2m, depending if a set of low, medium or high losses are used. At this early stage, these figures can only be indicative of the potential scale of the budget gap and will be refined during the next few months.
- 2.5. It is currently anticipated that some income streams will return in full or in part to their pre-Covid levels in the future and this is why the 3 scenarios show some recovery in the shortfall in 2022/23. However, the cumulative gap by the end of 2022/23 in each of the scenarios is still significant at £2.8m, £3.1m and £7.5m, demonstrating that even if the Council could manage the drop in income levels temporarily until they recovered, the underlying budget pressures and the potential longer-term downturn for rental income for example, would still need to be addressed.

2.6. The following chart shows the cumulative budget deficit across the period of the medium-term financial forecast when compared to the baseline budget of 2020/21.



2.7. The Council will initially use its available reserves to meet the costs of Covid-19 in 2020/21. To do this it will have to top up its reserves by using contributions it had originally planned to make towards the purchase of assets in 2019/20. Those assets will now have to be funded by internal borrowing instead. Without this action or significant increases in Government funding, the reserves will be too low to meet the current projection of losses. This action will need to be repeated in 2020/21 to rebuild reserves.

2.8. When borrowing is used, a provision to repay the borrowing over a period must be made so this action does cause some additional pressure on the revenue budget which is included in the forecasts.

2.9. Unallocated reserves may be used to fund one-off expenditure or temporary falls in income but are unlikely to be enough to meet the full extent of the shortfall in 2021/22 and nor should they be used to fund on-going expenditure or losses. Therefore, the Council will put in place measures to control spending in the current year and identify net savings (cost reductions or income generation) to reduce the deficit. Progress will be monitored and reported back to Members as part of the budget preparation process and will inform a revised forecast later in the year.

2.10. The forecast will also be affected by any additional funding announcements from Government, such as may arise out of the emergency budget expected on the 8th July, in addition to the latest guidance on the opening of Council facilities and social-distancing measures. Without additional funding, there is a risk that services provided to the public will be impacted.

### 3. Covid-19: Background

- 3.1. It is inevitable that this report will focus on the financial effects of Covid-19, on the Council's overall financial strength and on its ability to provide services to its residents, both now, amidst the crisis, and in the future. The Council recognises the catastrophic effects the virus is having on people's lives; for residents, for local business, for charities and voluntary organisations, for the vulnerable and for its own employees. This is why the Council needs to plan its financial response, so that it is in a position to provide much-needed support now, to be active in the future recovery of the local economy and to ensure its own longer-term sustainability moving forward.
- 3.2. The first cases of coronavirus were confirmed in the UK at the end of January 2020, and the outbreak was declared a pandemic on 11 March. By late March the Government had introduced "lockdown", banning non-essential travel and contact with people outside of the household, and closing many businesses, venues, facilities, amenities and places of worship, other than those delivering essential services or supplies such as food and medicine.
- 3.3. The Council responded positively to this challenge, deploying its comprehensive business continuity plans, setting up a Community hub to support the most vulnerable residents, supporting rough sleepers into accommodation and maintaining all essential services.
- 3.4. Many Council staff have continued to work from their usual locations to provide services to the public, while others have been enabled to work from home due to the successful implementation of digital technology prior to the crisis. Some staff have been redeployed to support work such as the Community hub or other services that have been under pressure.
- 3.5. The Government provided funding to businesses through Business Rates Relief and grants, and for those who need support with Council Tax payments, and the Council has responded well in setting up and administering the distribution of this funding, whilst being dependent for some elements on the timing of software providers making changes to systems.
- 3.6. Many of these measures however, have come at a cost to the Council, either through additional costs associated with delivering support and providing information to residents or through the loss of income receipts as the Council's own leisure and cultural facilities closed, or demand for fee-paying services reduced (e.g. car parking, planning advice). The Council benefits from a high percentage of income funding its net expenditure which has made it especially vulnerable as Covid-19 measures have hit the local economy. The Council also has some exposure to income loss from commercial property investments, although relatively low in comparison to many others, the majority of which the Council has owned for some years as part of local regeneration projects.
- 3.7. In addition, the Council will need to consider the effects of the pandemic on its customers' ability to meet existing commitments such as council tax, business rates and rents. While the Council has granted deferral of payments where appropriate, it

will need to make an assessment of the level of non-payment and, where business is concerned, the reduction in rates receivable due to the potential for a long and protracted economic downturn. In addition, the potential for new social norms to affect future levels of income are as yet unknown. For example, increased homeworking and changing attitudes to public transport may see a shift in commuting patterns that could have a long-lasting effect on carparking income, as could the on-going rise of internet-shopping. Future attitudes to social distancing could impact on the ability of leisure centres, theatres and museums to operate economically.

- 3.8. Within this there will also be opportunities for the Council, such as leading the economic recovery through targeted use of capital spending, encouraging sustainable transport to support movement around the City, and learning its own lessons from the digital innovation that has by necessity flourished (virtual meetings, accommodation footprint, effective customer service). All of which need to be facilitated by the Financial Strategy.

## 4. Government Response

### Direct allocations or support mechanisms

- 4.1. At the time of writing this report, the Government had provided £3.2bn of emergency funding to local authorities in the face of the crisis, with Chelmsford receiving £1.8m.
- 4.2. The Government had also set up the Coronavirus Job Retention Scheme to enable businesses to furlough staff – in other words, to effectively make staff temporarily redundant, while receiving 80% of the cost of their employment from the Scheme. Initially the Government discouraged the use of the scheme by Local Authorities other than in exceptional cases but has since relaxed this interpretation. The Council has applied to furlough some staff, largely within Leisure and Culture Services, where they were unable to work from home and were not redeployed to other services.
- 4.3. In addition, Councils across England are to share £50m of funding to support the safe reopening of high streets and other commercial areas, to establish a safe trading environment for businesses and customers. The Council will be able to reclaim up to £159,001 of eligible costs under this scheme. The fund must be used to provide additionality and not to subsidise existing, or already committed, expenditure.
- 4.4. Funding for Business Rates Relief and Business Support grants has been received ahead of onward payment to business and a modest element of New Burdens Grant is expected to cover the costs of software changes necessary to administer the schemes. The Government has also allocated £866,069 to the Council under a Council Tax Hardship Fund to support those eligible for Local Council Tax Support.
- 4.5. Cashflow support has also been provided by advancing normal funding payments to the start of the year rather than receiving them monthly or quarterly throughout

the year and by allowing Councils to defer payment of the Government's share of business rates income to later in the year.

#### Allocations to upper-tier authorities

4.6. The Government has provided significant financial support to upper-tier authorities such as Essex County Council, which will benefit the local area. Examples include:

- £300 million funding for local authorities to support a new test and trace service. The funding is ring-fenced for the specific requirement to develop tailored outbreak control plans, working with local NHS and other stakeholders. The allocation for Essex is £5.783m and is conditional on the County Council working with its District partners and allocating sufficient resources where those partners undertake to deliver outcomes.
- The Emergency Active Travel Fund, which is part of a wider package of measures, aimed at upper tier/Highway authorities, designed to 'protect and increase transport services, level up infrastructure and regenerate local economies after the coronavirus (Covid-19) outbreak'

4.7. The Government is expected to call an emergency budget on 8 July 2020 to tackle recovery from the coronavirus; measures contained within this budget that have an impact on the financial modelling of the Council will be incorporated into future forecasts.

#### 5. Initial assessment of the financial impact of Covid-19 in 2020/21

5.1. The initial financial impact of Covid-19 resulted in some £0.4m of income reduction suffered in the latter part of the financial year 2019/20.

5.2. The estimated effect on the budget for 2020/21 is difficult to predict until there is greater certainty on how the easing of lockdown measures will unfold and what the short-term effect on income levels will be. The Council submitted its latest return to Government on the financial effects of Covid-19, on the 19<sup>th</sup> June 2020, before the latest guidelines on the easing of lockdown and reduction in social-distancing measure were announced. The return included an estimate of additional costs that may be incurred during the year of approximately £0.724m, and potential income losses amounting to around £11.103m, based on the assumptions at that point in time. After deducting Government funding of £1.84m and estimated furlough funding of £0.54m, this results in a potential net loss for the year of £9.447m, excluding possible reductions in both Council Tax and Business Rates receipts. While the actual losses experienced may be vastly different to those currently estimated, the Council needs to plan for a significant revenue deficit.

5.3. Costs and losses included in the return are broken down as follows:

##### **2020/21 additional Covid-related costs (estimated total £0.7m)**

- Homelessness £0.4m based on the latest snapshot of numbers requiring temporary accommodation and increased subsidy loss (i.e. amounts not recoverable by the Council through the housing benefit system)

- Support to prevent rough sleeping £0.1m – despite some additional grant funding the council is incurring costs from measures taken to provide emergency accommodation during the pandemic and the anticipated costs of future accommodation for those either at risk of returning to, or becoming at risk of, rough sleeping.
- Recycling and Waste collection £0.1m projected costs of employing agency staff to maintain services due to absence
- One-off costs for additional mobile working equipment and public information leaflets £0.1m

**2020/21 Covid-related income losses (estimated total £11.1m)**

- Car Parks – projected losses of £3.8m against annual budget of £7.8m. This takes the actual income received for Apr and May and assumes 10% of normal income levels for June with a gradual increase to 80% of normal levels by November.
- The net loss on theatres and museums (before furloughing funding) is some £0.8m. This assumes only the Panto takes place in 2020/21
- Property income is projected to be £1.2m lower than the budget reflecting reduced income at High Chelmer Shopping centre
- £3.0m less income from Leisure and Parks.
- £2.3m of reduced income across most services from Interest earnings, Recycling and Waste Collection, Planning, Markets and a Council Tax growth sharing arrangement with Essex County Council

**2020/21 Covid-related funding (estimated total £2.3m)**

- The return allowed for £1.8m of emergency funding already received by the Council.
- Furlough funding from Government of £0.5m is included in the return. The Council has submitted its first claim under this scheme (for £0.3m for the period 21<sup>st</sup> March – 30<sup>th</sup> June) and has received confirmation that this has been accepted for payment.

**2020/21 estimated net position after funding = budget deficit of £9.5m**

5.4. As already noted, projecting losses forward for the year has a high degree of uncertainty and is dependent on the assumptions made about the lifting of lockdown measures, including social-distancing, and the speed and extent to which income levels will recover. A second wave of the virus may see lockdown measures tightened or re-introduced following a period of relaxation. Equally, the success of track and trace or the formulation of a vaccine could have an immensely positive outcome. Projection of potential losses may alter by millions of pounds depending on the assumptions made. The Council will continue to update its assumptions to inform future financial returns and its own budget monitoring process. The final position for 2020/21 will also affect the level of unallocated reserves available to support the revenue budget, just as the overspend in 2019/20 has done.



- 5.5. Refining the assumptions about income levels will be crucial for financial planning both in the short term and over the medium term as small percentage changes can create large variations in these key funding streams as demonstrated in the table below:

Income stream	Effect of 5% reduction against 2020/21 budget*	Effect of 20% reduction*	Effect of 35% reduction*
Car Parks	£390k	£1,560k	£2,730k
Leisure centres	£260k	£1,040k	£1,820k
Commercial property income	£263k	£1,052k	£1,841k
Theatres	£83k	£332k	£581k
Planning and Building Control	£105k	£420k	£735k

\*These examples are for indicative purposes and are not necessarily the percentages used in the forecasts.

- 5.6. It may be that additional government support is received to offset the losses expected to be incurred during 2020/21. However, given the potential scale of these losses, it is unlikely that they will be met in full by Government. The Financial Strategy therefore sets out the proposed approach to manage the losses through the use of unallocated (or unearmarked) reserves. These are sums set aside to manage sudden shocks to the Council's finances or one-off additional expenditure and not those set aside for specific purposes.
- 5.7. The Council's Financial Strategy looks to maintain these unallocated reserves at a reasonable level to cope with a degree of variation, however the current crisis is such that it will have a profound impact on the level of unearmarked reserves. Without action to boost the level of available unearmarked reserves, the Council risks having insufficient revenue funds to maintain services and provide contingency funds for non-Covid risks. In order to boost the available reserves to support the short-term effects of Covid-19 in 2020/21, it will be necessary to redeploy reserves previously set aside to support capital spending.
- 5.8. As part of the 2019/20 outturn, it is recommended that the capital programme is financed by £6m of extra borrowing (internal) and revenue contributions that would have been used are instead transferred into the general balance taking it to some £10m instead of £4m. Without this transfer the Council's unearmarked reserve would be less than the projected losses of £9.5m. This comes at cost of additional MRP as the cost of internal borrowing has to be financed. A similar approach is also recommended for 2020/21 and is explained further in paragraph 7.13 of the report.

## 6. Medium-Term Financial Strategy Review – key risk areas

This section of the report sets out the key risks areas that have been considered when reviewing the Financial Strategy.

### Covid-19 medium-term effects

6.1. While the previous sections have considered the effect of Covid-19 on the Council's finances at the tail-end of 2019/20 and during 2020/21, some of the effects of the pandemic may be longer-lasting, and therefore affect financial planning over the medium term. Factors to consider are:

- the time taken for income streams to recover
- the extent to which those income streams recover in the face of societal change (for example, prolonged social distancing, greater internet shopping, less commuting, prolonged economic recession etc will all affect the Council's ability to maximise future income streams, be it from parking charges, business rates, its leisure and cultural facilities and so on).

Various scenarios have been modelled in the forecasts shown at Appendix 2 and are discussed in Section 7.

### Government Funding

6.2. Any additional funding to the Council in respect of Covid-19 will be built into future forecasts. The Government has also announced further delay to the Fair Funding Review and the introduction of the 75% Business Rates Retention Scheme, neither of which will now commence in 2021/22. It is also likely that the Government's three-year comprehensive spending review, which was due to set limits for departmental expenditure for the years 2021/22 to 2023/24 will be delayed and that Local Government will again receive a single-year financial settlement, leaving the sector's ability to plan over the medium-term severely curtailed.

6.3. The future of New Homes Bonus (NHB) remains uncertain, following the cessation of future legacy payments in 2020/21. Previously the scheme had paid a four-year bonus based on housing growth above a minimum threshold for the year. In 2020/21 a single year allocation was awarded, with the run-off of the remaining legacy payments from previous years. In theory, any funds used previously to award NHB would still be used to support local government. The risk to Chelmsford lies in the allocation of such funding. The Council has benefited from NHB over the years as the City has grown and a change in methodology may see this funding diverted to other geographical areas or tiers within the sector, possibly to support Adult Social Care. Even in its current form, the effects of Covid-19 on housing delivery, and any subsequent recession, would reduce the funding locally. The Council will therefore continue with its strategy of not using NHB to support on-going revenue costs.

### Council Tax and Business Rates

6.4. Alongside the Local Government Finance Settlement, the Government sets out the level of council tax increase above which a referendum is triggered. For the past few years, this limit has been £5 for Districts like Chelmsford, and the Council has kept its Council Tax increases within these limits. Chelmsford only retains about 11p of each £1 of Council Tax it raises, with the majority going to Essex County Council (72p) and the remainder to the Police and Fire Services and Parish councils. While Councils face such an uncertain financial future, it may be appropriate to lobby Government to provide additional flexibility or local freedom to set Council Tax

levels. The forecast assumes increases of £5 throughout the period, for planning purposes. The actual Council Tax level will be determined by Council as part of the budget process in February 2021.

- 6.5. For Business Rates, while the existing scheme may continue for the time-being, the ability of businesses to meet their property costs may be affected by the anticipated economic downturn and business failure will impact on the level of income collected. In addition, businesses may choose not to renew tenancies in the future if they have successfully adapted to on-line selling for retailers or homeworking for office-based businesses. A potential upside for Chelmsford, however, may be that companies still wishing to have an office presence decide to relocate away from the Capital and look for smaller, more cost-effective premises locally. It will be important for the Council to play a role in continuing to attract inward investment and supporting the local business sector.
- 6.6. During an economic downturn, there will be risk to the income from both the County-wide Council Tax sharing agreement and the 2020/21 Business Rate Pool. These will need to be monitored and fed into budget projections. The forecast assumes effectively nil from the Council Tax Sharing Scheme and no gain in respect of the Pool arrangement.

#### Transformational Change

- 6.7. In the last Strategy update in January 2020, the Council set out its approach to Transformational Change through the formation of the Digital Portfolio Office (DPO), which would build on the successful implementation of digital infrastructure such as Windows 10, Office 365 and Skype for Business and embed a culture of digital innovation within services. By early June, the DPO had successfully deployed three projects, while three others had commenced development and a pipeline of further bids were under review. The Council has committed £150k to resource the initial pilot stage, with a gateway review planned to take place in July 2020, before further funding is released. It is anticipated that the Council will be able to apply learning from the extended period of flexible working that it has undergone as a result of Covid-19 to generate additional projects for consideration by the DPO and to maximise the benefits of new ways of working. Should the pilot be successful the 2020/21 Budget provided £500k in earmarked reserves to continue with the DPO process.

#### Regulatory Environment

- 6.8. Elements of the Council's financial management are regulated by Statute and various codes of practice. In 2019/20, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its new Financial Management Code and the Council is committed to embedding the principles of the Code into its day-to-day practices. The Council also needs to have regard to the ever-tightening guidance around investments, particularly in regard to commercial property, and the regulatory framework for public sector borrowing

## Budget Management

6.9. Recent years have seen an increased pressure on the Council's budget through reduction in local government funding, increased public expectation, rising costs and demand pressures. The Council has already improved both its budget monitoring regime, with new report formatting and wider reporting through Audit and Risk Committee, Overview and Scrutiny Committee and Cabinet, and its budget process through the introduction of a budget challenge process with Directors and Cabinet Members. The provisional revenue outturn report for 2019/20, as reported to the Audit and Risk Committee on 17 June 2020, showed an overspend on service provision of some £2.2m and while due in part to early effects of coronavirus, it is important the Council takes steps to ensure realistic budget provision is made in future years, recognising that some budgets may need to increase to more accurately reflect the anticipated costs of services, rather than striving to meet unrealistic targets. This needs to be alongside close management and monitoring of budgets to avoid on-going levels of overspend. In the context of Covid-19 it will be even more important to manage spend in 2020/21 and avoid additional pressure on reserves. The Council therefore intends to reinforce its challenge process both for monitoring of existing budgets in 2020/21 and as part of the budget preparation for 2021/22. Budget Guidelines for service managers for preparation of the 2021/22 budget are included at Appendix 5

## 7. Medium-Term Financial Forecast

7.1. Production of a detailed financial forecast is exceptionally difficult at this time. However, it is prudent to consider the extent of the financial risk facing the Council in order to determine what work may be necessary to ensure a financially sustainable future. Forecasts for both Revenue and Capital expenditure and projected use of unearmarked reserves are shown in Appendices 2 - 4 of the report and this section provides some additional commentary on the forecasts.

### Revenue forecast – Appendix 2

7.2. The Revenue forecast sets out material budget movements expected when compared to the budget for the preceding year. A positive figure denotes additional cost or a reduction in income, whereas a negative figure (or credit) shows additional income or a reduction in costs compared other previous year. If a column is blank, then no change is assumed compared to the year before.

7.3. The first section of the table shows some initial baseline assumptions before consideration of income movements caused by Covid-19. The first of these deal with inflation on both costs and income. For the majority of these a standard 2% inflation figure has been used, which is the norm for the Council's medium-term forecasting purposes. Some of these may need to be altered after consideration of the emerging overall budget gap, once refined in later forecasts, and should not therefore be considered final. They are, however, reasonable assumptions on which to base this first forecast.

7.4. Other movements shown include;

- a downturn in interest receipts from the investment of cash held by the Council, which is generated due to the timing of cash flows in and out of the Council. Interest earned is affected by interest rates, the length of the investment and the amounts available to be invested.
- increases to the provision for repayment of debt, known as minimum revenue provision or MRP, as a greater proportion of the capital programme is financed via internal borrowing
- the triennial valuation of the pension fund carried out in 2019/20 required an increase in contributions from the Council to close the pension deficit.
- increased NNDR (Business Rates) payable on council properties, particularly for the new Riverside ice and Leisure Centre
- a downturn in recycling income which suffers from price volatility due to world-wide market changes and import restrictions, partially offset by increased collection of some forms of recycling during lockdown and increased recycling credits
- an allowance for increased costs of Recycling and Waste Collection, and Street Cleaning following further City growth in later years of the forecast
- additional subsidy loss for temporary accommodation (TA) assuming numbers in TA remain static

7.5. The next set of items stem from the annual review of the prior year's outturn position, which seeks to identify any on-going pressures that should be built into the base budget moving forward, in order to present a realistic, achievable budget rather than setting budgets that are too low and are impossible to meet. This section includes further cost pressures in temporary accommodation including utility costs and repairs and maintenance, and the building-up of the insurance reserve to meet excess payments which have traditionally been met by underspends.

7.6. Assumptions have also been included for a 2% inflationary uplift in government funding, £5 annual increase in Council Tax, and a lower than average increase in the council tax base for 2021/22 reflecting a delay in development due to Covid-19, subsequently returning to more normal levels. The final item in this section is an estimate of growth in the budget for each year to allow for additional items that come forward throughout each year, due to increases in demand or new initiatives for example.

7.7. This results in a budget gap in 2021/22 of £2.077m, rising to £3.343m over the whole forecast period, and before taking account of reductions in key income streams caused by Covid-19. It is worth considering at this point, why this gap is some £0.958m higher than the budget gap forecast as part of the budget process in January 2020 and this is set out in the next section of the revenue forecast. Some of the changes are as a consequence of Covid-19, such as:

- additional MRP caused by increased internal borrowing as reserves planned to support capital expenditure are switched to support the revenue costs of Covid-19 instead.

- The additional subsidy loss on temporary accommodation due to housing pressures of Covid-19 including placement of those previously sleeping rough
- Fall in interest rates as a response to the impact of Covid-19 including reduction in Bank of England base rate

Some of the changes were only known subsequent to the January forecast such as the increased NNDR bills received in May, the significant changes to recycling income and the variances arising out of the outturn review which by necessity takes place after the year-end.

Other changes include:

- The removal of additional funding to the Asset Replacement Reserve (ARR). The ARR is intended to support the purchase of short-life assets in the Asset Replacement Programme. The Reserve is funded by an annual contribution from the Revenue account, which traditionally has been increased annually, outturn position allowing. Under the current circumstances it is assumed that the increase will not be made in 2021/22, which is a change to the previous forecast assumption.
- Changes to Council Tax base, Council Tax level and other items accounting for a favourable movement in the forecast of £183k.

7.8. The final section of the Revenue forecasts provides three scenarios (mid, lower and higher cases) for the key income streams affected by the pandemic. Consideration of a range of scenarios, particularly within the revenue forecast, allows the Council to take a measured approach, avoiding a knee-jerk reaction and implementation of short-term solutions that may be unsustainable over the medium-term. It is essential that the Council considers how it will operate in a post-COVID world and shapes its future budgets around sustainable service delivery.

7.9. Each table begins with the baseline budget gap from the first section of the forecast and then adds the projected income losses to the gap. It is not intended to suggest that any one of these tables is the most likely position but simply to show the potential scale of losses that may materialise. As the forecast is refined in later versions, a “most likely” or central case will be developed. The current scenarios reflect a potential budget gap of between £3.283m and £9.155m for 2021/22. It should be noted however, that several of the assumptions show income streams bouncing back to normal levels in the following year and this may be a key factor in determining the action to take to meet the budget gap. Also, following the same process that was adopted for the presentation of the 2020/21 Budget, the revenue forecasts do not include the potential savings from invest-to-save schemes within the Capital forecast. For example, it is expected that the purchase of houses for use as Temporary Accommodation will produce a net revenue saving as well as meeting a service need. More detailed analysis of costs and savings will be included in the business case for such schemes as they are developed and ultimately, they are expected to reduce service costs. The budget gap is also highly dependent on the level of government funding that may be forthcoming either via one-off grants

(which could remove or reduce the necessity to redeploy reserves and the extent of the drain on those reserves) or through core funding baselines, which will support the Council to meet the on-going effects of both Covid-19 and the subsequent economic conditions.

### Capital forecast – Appendix 3

- 7.10. The Capital spending forecast attached at Appendix 3 includes initial estimates of spending plans for the period which will be refined during the budget process. Initial review of the capital spending plans for 2020/21 has highlighted several projects that could be deferred into 2021/22, or which have been delayed due to Covid-19 measures, easing the pressure on internal borrowing. These have been taken account of in the forecast, deferring some £19m of expenditure to later years and the consequential impacts of borrowing costs in the revenue budget.
- 7.11. However, the repurposing of contributions previously earmarked to support capital expenditure, to instead support the immediate pressure on revenue reserves, increases the borrowing requirement to fund the programme. The Capital Strategy approved by Council in February set authorised borrowing limits and operational limits which are set out with other indicators/forecasts in Appendix 3. The use of internal borrowing if there were no other changes to the capital programme would be an £11m increase (equal to repurposing of revenue funding) however the forecast of the timing of expenditure has been amended and the change is:

	<b>31.3.2020 actual</b>	<b>31.3.2021 forecast</b>	<b>31.3.2022 budget</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>
Forecast Internal Borrowing	£11.650m	£31.868m	<b>£41.561m</b>	£48.481m	£54.064m
- decrease/+increase from Jan 2020 Forecast	£2.67m	-£3.55m	£7.98m	£9.09m	N/A

It is currently expected that the financing of the capital programme will not require the use of external borrowing for at least 2 years but given the uncertainty to cashflows caused by Covid, cash planning is difficult beyond a 2-year horizon due the extent of the variables. E.g. CIL receipts, size of deficit, government funding, business rates assumption etc. As 2020/21 progresses, experience of providing services in a Covid environment will enable more detailed cashflow forecasting to take place.

The Council sets out an external borrowing limit (authorised limit) for the authority as part of the Capital strategy; in January that limit allowed for some externalising of existing capital debt and allowance for a potential major capital project. The use of external debt can only be warranted over internally borrowing if it is cost-effective and this has not been the case to date. However, the current levels of interest rates and changes in Government policy may offer the authority the opportunity to borrow at cost-effective rates. It is proposed to keep this opportunity under review, and this may be undertaken within existing borrowing limits. If a substantial switch from internal borrowing to external were to be considered, it would be brought back to Members for review as part of the Treasury Management Strategy.

As indicated in Appendix 3, there are no proposed changes at this time to either the external borrowing limit (the absolute maximum level set for external borrowing that cannot be exceeded) or the operational boundary (a lower limit indicating the maximum level expected in normal operating circumstance), other than for technical adjustments for finance leases. No external borrowing has been undertaken at this time.

#### Reserves – Appendix 4

- 7.12. Appendix 4 provides estimated levels of Reserves over the period. The Council will use its General Fund and Contingency reserve to support the immediate financial pressures of Covid-19, supported by use of other reserves previously allocated in support of capital financing. The existing Medium-Term Financial Strategy planned to increase the level of available reserves commensurate with prevailing risk and to maintain this at 5% of gross expenditure (around £7m), recognising that the level would fluctuate in response to short-term pressures on the revenue budget. Clearly, the current situation brings severe pressure on these balances, which would be exacerbated by any further lockdown period, should that be found necessary. It is essential that the financial recovery plan for the Council includes measures to restore a reasonable level of balances to support the on-going financial sustainability of the Council.
- 7.13. The first table in Appendix 4 shows the projected levels of these unearmarked reserves (General Fund and Contingency Reserve) which are set aside to manage short-term fluctuations in the Council's finances or to cover an initial shortfall while other action is put in place to correct the on-going financial position. The opening balance for 2020/21 of almost £10m is made up of the closing balance from 2019/20 of £3.75m, which was reduced from previous levels as it was drawn on to fund the budget overspend for the year, and a transfer of £6.2m of revenue funding previously budgeted to support the Capital Programme. This includes proposed contributions to the Asset Replacement Reserve, the Chelmsford Development Fund and some ad hoc receipts for small asset sales and the granting of a temporary land licence – all of which are now redirected to support the General Fund Balance. This provides sufficient unallocated reserves to fund the net losses of £9.447m currently anticipated in 2020/21 due to coronavirus but leaves no buffer for any other financial pressures occurring in the year or for any increases in the Covid-related costs. In order to rebuild the unallocated reserves, it is proposed to repeat the process in 2020/21 and transfer an additional £4.82m of revenue contributions to the General Fund Balance instead of transferring £1.7m to the Asset Replacement Reserve and £3.1m to the Chelmsford Development Reserve.
- 7.14. The table provides for several planned uses or transfers of sums from the unallocated reserves and shows core balances being maintained at around £4.6m, which is lower than the target £7m. In addition, the balances from 2021/22 onwards do not reflect any use of those balances to support the budget gap presented in the revenue forecast. The extent to which the reserves may be required to support that gap depends upon:
- The extent to which savings can be found to bridge the gap
  - The extent that any further Government funding reduces the gap
  - The accuracy of the projected losses in 2020/21 and beyond



Should it be necessary to increase the unallocated reserves to support the budget gap in future years, then budgeted contributions towards capital expenditure can again be reallocated to the General Fund Balance. However, whenever capital funding is reduced in this way, it will need to be replaced by other funding methods, most likely internal borrowing, which will add additional borrowing costs (MRP) to the revenue budget. It should be noted that item 16 of the Financial Strategy already allows for contributions to the Asset Replacement Reserve to be replaced by the cost of carrying debt.

It will be key in the next iteration of the forecast to have greater certainty over the size of the funding gap and to have formulated a programme of savings to reduce that gap that leaves sufficient balances in reserve moving forward. It may be that the Council chooses to hold a lower level in the very near term, if it is confident of closing the gap, and builds up reserves in subsequent years.

## 8. Strategic Response

- 8.1. While it is difficult to accurately predict the size of the financial problem facing the Council, for all of the reasons set out elsewhere in the report, it is clear that it is of a greater magnitude than seen in recent times. The Council therefore needs to move swiftly to put control measures in place.
- 8.2. In the short term the Council is taking the following measures to protect its balances and its services to the public:
  - Redirection of reserves previously set aside to support capital spending, to meet Covid-19 costs
  - Review of all reserves and contingencies to release funding where possible
  - Review of planned expenditure for projects that could be deferred
  - Recruitment to be considered by Management Team prior to commencing recruitment process
  - Set up a process to challenge current spending
  - Maximising existing and new income streams in the context of the overall gain to the local economy i.e. including consideration of measures to support businesses and the local economy
  - Continue to lobby for additional support commensurate with the losses expected to be incurred during the pandemic and for a sustainable financial settlement moving forward
  - Commence process to identify potential savings ideas, both cost reduction and income generation, should the necessary Government funding not materialise
  - Put in place a programme of monitoring sessions and financial updates with Cabinet to ensure sufficient progress is made in developing a robust level of potential savings. Simply trimming costs will be unlikely to deliver savings of the magnitude required, so more strategic proposals will be needed. In the aftermath of the pandemic, it is also unlikely that the Council will be able to rely on additional income generation to close the budget gap.

All of these actions are consistent with the Financial Strategy set out at Appendix 1.

8.3. In times of crisis working with partners is essential. For example:

- the Council continues to review all new announcements of funding to ensure it makes the best use of any allocations and is committed to working closely with the Business Improvement District and other stakeholders to ensure limited funding is targeted where it adds most value and will continue to engage with the County Council to influence spending of infrastructure and regeneration funding such as the Emergency Active Travel Fund.
- The Council responded to the call from Government to collect data about the financial impact of Covid-19 in April, via monthly returns and has used these to form the basis of lobbying to Ministers, MPs and through various bodies such as the Local Government Association (LGA), Society for District Council Treasurers (SDCT) and District Councils' Network (DCN). The initial return was a very simple light-touch request, with the Council's response containing an early assessment of the impact, together with a range of assumptions and comments. The collective initial returns from local authorities directly influenced the announcement of a second tranche of £1.6bn emergency grant funding nationally for the sector, with a new allocation basis increasing the proportion received by lower tier authorities, when compared to the first fund tranche.
- The Council has also taken part, alongside nine other Councils, in a case study with the LGA which will be used in national campaigning and lobbying work.

8.4. As a consequence, a number of amendments have been made to strengthen the Partnership Working section of the Strategy.

8.5. The following item has been retained as further review may be appropriate, although an update on progress is provided below.

Item no:	Action
35	The Council will review its processes for awarding grant funding and the monitoring of service level agreements with third parties

Update: The Community Funding Scheme was launched in September 2019 and combines the Council's old Corporate Aid Scheme discretionary fund and the neighbourhood allocation of the Community Infrastructure Levy (CIL), within Chelmsford's nine unparished wards. The first round of allocations under the new scheme were considered by Cabinet in March 2020.

A related item has been added at point 36 as follows:

Item no:	Action
36	The Council will review the Community Funding Scheme to align the use of the Community Infrastructure Levy (specifically, the Neighbourhood Allocation in the 9 unparished wards) to corporate priorities

Two other new items have been added in the same section in respect of responding to Government consultation and data-gathering exercises, engaging with sector-led bodies such as the Local Government Association and others, and working together on funding solutions. These are particularly relevant at the current time but are of on-going importance to ensure that Chelmsford's voice is heard as future funding mechanisms are developed.

Examples of the measures that central government could use to support local authorities are:

- Additional immediate direct financial support
- Clarification of the financial planning framework for local government and long-term sustainable funding levels
- Restoration of the New Homes Bonus Scheme to its former extent
- Capitalisation of Covid-19 costs
- Relaxation to Minimum Revenue Provision rules
- Review of PWLB borrowing rates
- Increased local flexibility on Council Tax setting
- A safety net on Council Tax income
- Underwriting any Council Tax deficit for 2020/21
- An increased safety net for Business Rates income
- Temporary relaxation of the requirement to balance the revenue budget annually
- Relaxation of the Apprenticeship Levy

## 9. Conclusions

- 9.1. There is no mistaking the financial challenge ahead for the Council. The forecast revenue gap for 2021/22 is the largest the Council has seen for some years and time is short in which to plan for, and achieve, the level of savings that may be required. The level of uncertainty is also increased, both due to the unknown length and final effects of the coronavirus pandemic and the level of financial support to be received from Government. Both factors could significantly alter the forecasts in either direction. Within this uncertain environment, the Council continues to strive to deliver the key objectives of Our Chelmsford; Our Plan, recognising that some may take longer or be more difficult to achieve.
- 9.2. Work is required to refine the forecast and ensure a robust process is in place to achieve the necessary reduction in net expenditure required to produce a balanced budget. An updated forecast, including progress on the identification of savings proposals, will be presented to Members in the third quarter of 2020/21 and will inform a further review of the Financial Strategy.
- 9.3. In the meantime, the following key actions are required:
  - Transfer contributions previously earmarked to support capital spending into the General Fund balance to support the revenue budget gap
  - Take action to control in-year spending to avoid additional budgetary pressure

- Commence process to identify proposals to close the budget gap and ensure appropriate realistic budgets are set for 2021/22
  - Identify clear pathways for the reopening of Council facilities and the restoration of major income streams
- 9.4. By having a robust financial strategy and putting in place the measures set out in this report, the Council's Chief Financial Officer (CFO), the Director of Financial Services, is satisfied that a s.114 report is not necessary at this time. (The CFO is obliged by statute to deliver a s.114 report to Members if they judge the Council not to have a balanced budget or the imminent prospect of one.) In addition, Cipfa has proposed temporary modifications to its guidance which remove the necessity for s.114 notices to be issued while informal discussions with Government are in progress, thus freeing up more time for authorities to explore their options, rather than freezing spending at a time of increased demand for some services. The issuing of such a report will be kept under review as the financial position is updated.
- 9.5. Should the anticipated emergency budget on the 8 July, or any other funding announcements made in the interim, have a significant effect on the forecasts or the actions proposed in the report, a verbal update will be provided to Members at the Cabinet meeting.
- 9.6. Cabinet is asked to consider the report and provide delegated authority to the Director of Financial Services in consultation with the Cabinet Member for Fairer Chelmsford, to make any consequential amendments arising out of the expected emergency budget announcements before presentation of the report to Council. Cabinet is also asked to recommend that Council approve:
- the Medium-Term Financial Strategy
  - the approach to reserves set out in section 7 and specifically the transfers into the General Fund balances shown at paragraph 7.13 of £6.208m and £4.82m in respect of 2019/20 and 2020/21
  - the update to the Capital Strategy in Appendix 3 including the consequences of the transfers to the General Fund on the levels of internal borrowing
  - the budget guidelines contained in Appendix 5

#### List of appendices:

Appendix 1 – Medium-Term Financial Strategy 2021/22 – 2025/26

Appendix 2 – Medium-Term Financial Forecast (Revenue Budget)

Appendix 3 – Capital Forecast/Amendments to Capital Strategy

Appendix 4 – Reserves Forecast

Appendix 5 – Budget guidelines for preparation of the 2021/22 budget

Background papers: None

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## Corporate Implications

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

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

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

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

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

**Risk Management:** Due regard to the Council's Principal Risk Register should be had when considering its budget plans, financial forecasts and level of reserves. The production of, and adherence to, the Strategy mitigates the risk of financial failure. Challenges to the Council's financial position are reflected in the Principal Risk Register, while the financial impact of other risks are considered within the Principal Risk Register as appropriate.

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

**Health and Safety:** None

**Digital:** None

**Other:** None

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### Consultees:

Cabinet Members, Chief Executive and Directors, Monitoring Officer

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### Relevant Policies and Strategies:

Our Chelmsford: Our Plan

Capital and Investment Strategy 2020/21

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**APPENDIX 1**

<p>The fundamental aims of the Council's Medium-Term Financial Strategy are to:</p> <ol style="list-style-type: none"> <li>1) Maintain a sustainable financial position against a backdrop of continuing financial uncertainty and reduced government funding;</li> <li>2) Support the Council's aims in the delivery of a safer, greener, fairer and better-connected Chelmsford through the appropriate allocation of available resources and to</li> <li>3) Maximise opportunities to increase resources, or use resources more effectively, whilst taking appropriate action to mitigate financial risk.</li> </ol>	
<p>The Strategy is supported by five key principles. These are set out below with supporting actions for each principle.</p>	
<p><b>Revenue Expenditure – The Council recognises that it must optimise its limited resources and target them to where they are most needed, in order to provide value for money services in the face of increasing financial pressures.</b></p>	
1.	The Council will set a balanced budget each year, reflecting its objectives, priorities and commitments
2.	The Council will deliver efficiencies, cost reductions and new income streams in order to meet budget gaps; the delivery of which will be closely monitored by Management and Members
3.	A Digital Programme Office will be set up to drive forward digital innovation in service delivery, realising both financial and non-financial benefits in the efficient delivery of services (subject to the results and learning outcomes from the pilot)
4.	There is no presumption that un-ringfenced grants will be spent on the purposes for which they are nominally provided (appropriate business cases will be provided for spending against such grants)
5.	Services will carry out regular reviews of their fees and charges, to ensure income is maximised while taking into account the demand for services, the prevailing economic and market conditions, the wider strategic aims of the Council and the affordability to its customers
6.	Where costs are recharged to other parties on a cost-recovery basis, services will ensure that all relevant costs are considered when setting the charge
7.	The Council will review its income streams, taking account of the proportionality of any one revenue stream and mitigating the risk of over-reliance upon any one income type e.g. commercial property income
8.	The Council will consider the diversity of its investments, in order to spread risk
9.	The Council will consider its risk appetite in relation to commercial activity as part of its response to budgetary pressures
10.	The Council will seek to reduce its reliance in its revenue budget on uncertain funding streams, as it has with New Homes Bonus

<b>Capital Expenditure – 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.</b>	
11.	The Council will develop a capital strategy that seeks to optimise return on existing assets, divest itself of low-performing assets and sets out parameters for investment in property to increase income to the Council
12.	Performance indicators will be developed and monitored for investment property
13.	The Council will set prudential indicators, including borrowing limits, for capital financing through its annual Treasury Management Strategy, and understand the costs of capital and the return on capital invested, ensuring any future borrowing is affordable, prudent and sustainable
14.	The Council will explore opportunities for borrowing as the need arises through the Public Works Loan Board, Local Enterprise Partnership, other Local Authorities and the Municipal Bond Agency, for example.
15.	The Council will seek alternative forms of funding to use of its existing resources where possible, maximising the use of external resources such as s106 contributions from Developers, Community Infrastructure Levy, funding from the Local Enterprise Partnership, Government departments, lottery funding and private sector opportunities as appropriate and ensuring that any funding conditions do not place an unreasonable burden on the Council.
16.	The Council will review the estimated level of contributions to the Asset Replacement Reserve annually as part of the budget process; the actual level of contributions being dependent on the overall Revenue budget position. As the Council moves towards borrowing, and given the financial pressure on the revenue budget, the revenue contributions the Council makes to fund capital expenditure may be replaced by the cost of carrying debt.
17.	Capital receipts from the sale of assets will be used to meet future corporate priorities, rather than be retained for use by the service that has relinquished the asset.
18.	Resources allocated to a particular capital project but subsequently not required will be returned to meet future corporate priorities rather than be retained for use by that service.
19.	No new capital schemes are included in the programme without the necessary resources to meet the full capital costs, and any on-going revenue costs, being in place.

20.	All new capital projects are subject to a bid process for inclusion in the Capital Programme, which require whole-life costing information to be supplied. Where projects are not yet fully worked up but require an indicative sum to be allocated in the Capital Programme, for the purposes of assessing future funding requirements and the costs of borrowing, then a full business case should be worked up before commencement of the project. New capital schemes brought forward during the year should also be supported by business cases and reported to Management Team, Cabinet or Council in line with the Council's financial regulations.
<b>Reserves – the Council will maintain a reasonable level of usable reserves to enable it to weather the volatility of its funding position, support capital spending plans, mitigate known risks and support invest-to-save schemes and service transformation.</b>	
21.	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.
22.	Reserves will not be used to meet on-going expenditure but may be used in the short-term in conjunction with plans to reduce net revenue costs over the medium-term.
23.	Regular review of all reserves will be carried out in order to maintain and replenish funds which will be used to mitigate substantial risks identified over the medium-term, support the provision of major projects, invest-to-save schemes, service reviews or digital innovation and to release those reserves no longer required due to changing circumstances.
<b>Governance and Performance – the Council will monitor the delivery of its financial strategy and performance against the savings requirement, adjusting the plans to meet changing demands or emerging risk. This will be achieved by:</b>	
24.	Annual review of key strategies such as the Medium-Term Financial Strategy, the Capital and Investment Strategy and Treasury Management Strategy.
25.	Appropriate training will be provided to officers and staff to enable them to carry out their duties in respect of the delivery and scrutiny of financial plans.
26.	Performance against budget will be monitored externally via the Council's external auditor, and internally via a framework including the senior management team, the Audit and Risk Committee, Overview and Scrutiny Panel, Cabinet and Council, while key strategy reviews enabling the delivery of Council priorities, such as the Homelessness and Rough Sleeping Strategy, will be incorporated into the work programme of the Chelmsford Policy Board. Budget and performance monitoring will be supported by the implementation of the Council's new financial management system and a refreshed approach to Risk Management.
27.	The Council will undertake a self-assessment against CIPFA's new Financial Management Code and produce an action plan to meet any shortfalls.



28.	The Council will consider CIPFA's new Resilience Index when considering the appropriateness of its reserves.
29.	The Council will stay abreast of regulatory developments and the latest Government and sector-led guidance in the formulation of key financial policies and strategies.
30.	Embed a performance management culture within the organisation, including the production of business cases, strong project management and the measurement and delivery of benefits.
31.	Ensure that the Council's budgets, financial records and accounts are prepared in line with accounting standards, CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the Council's own Constitution and Financial regulations.
32.	Budget guidance to be reviewed annually by the Council's section 151 Officer.
<b>Partnership Working – the Council will seek out opportunities to work with partners to maximise outcomes for the residents of Chelmsford and other stakeholders, explore access to funding and maximise the shared benefits of joint working.</b>	
33.	<p>The Council will explore joint working opportunities or shared services where they add benefit to the Council or its residents, with partners including (but not limited to):</p> <ul style="list-style-type: none"> <li>• Other local authorities</li> <li>• Registered Housing Providers</li> <li>• Police and Crime Commissioner</li> <li>• Fire and Rescue Authority</li> <li>• Local Enterprise Partnership</li> <li>• Voluntary and Community organisations</li> <li>• Private sector</li> </ul>
34.	The Council will seek to optimise external funding opportunities to defray the cost of services and capital investment.
35.	The Council will review its processes for awarding grant funding and the monitoring of service level agreements with third parties
36. NEW	<i>The Council will review the Community Funding Scheme to align the use of the Community Infrastructure Levy (specifically, the Neighbourhood Allocation in the 9 unparished wards) to corporate priorities</i>
36. 37.	The Council will explore models for delivering projects in partnership with others, particularly in respect of large-scale infrastructure projects and the Council's aspiration to deliver increased numbers of affordable housing units.
37. 38.	The Council will consider options to facilitate or enable partners and the community to deliver outcomes that are in keeping with the Council's aims, as an alternative to direct delivery.
39. NEW	<i>The Council will actively engage with sector-led bodies (e.g. Local government Association (LGA), District Councils' Network (DCN), Society of District Council Treasurers (SDCT) to ensure a local voice in national, sector-wide funding discussions</i>

<p>40. NEW</p>	<p><i>The Council will work with Government departments, Ministers, and Members of Parliament in order to raise local funding issues, develop solutions and provide an evidence base to inform decision-making in respect of funding levels</i></p>
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**PROJECTED BUDGET GAP -PRE COVID LOSSES (TABLE 1)**

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<i>(INCREASES/CHANGES OVER PREVIOUS YEAR)</i>	£000s	£000s	£000s	£000s	£000s
PAY INFLATION - 2% YEAR ON YEAR	666	680	695	710	726
NDR (BUSINESS RATES) - NIL IN 2021/22 THEN 2%	-	53	54	55	56
UTILITIES - 2% YEAR ON YEAR	22	22	22	22	22
FEES & CHARGES 2% INFLATION INCLUDING -	-304	-467	-476	-490	-495
CAR PARKING CHARGES NIL IN 2021/22 THEN 2%					
INTEREST INCOME	134	69	71	26	26
MINIMUM REVENUE PROVISION (CAPITAL FINANCING)	326	21	27	61	123
PENSION DEFICIENCY	175	175	175	-	-
RIVERSIDE & OTHER NDR	189	-	-	-	-
RECYCLING INCOME (PRICE VOLATILITY)	208	-	-	-	-
CITY GROWTH	-	-	74	77	77
SUBSIDY LOSS - TEMPORARY ACCOMMODATION REMAINS FLAT	153	-	-	-	-
<u>3-YEAR OUTTURN REVIEW (KEY ITEMS)</u>					
TREE MAINTENANCE	20	-	-	-	-
FLEET COSTS	20	-	-	-	-
LEISURE CASUAL STAFF & CENTRE MAINTENANCE	108	-	-	-	-
UTILITY COSTS	75	-	-	-	-
LEISURE INCOME (DOVEDALE & CSAC)	46	-	-	-	-
HYLANDS INCOME	65	-	-	-	-
HOUSING- COST OF TEMPORARY ACCOMMODATION	249	-	-	-	-
INSURANCE CLAIMS - ANNUAL CONTRIBUTION	50	50	50	50	50
OTHER	25	-4	50	-	-
GOVERNMENT FUNDING	-68	-70	-71	-72	-74
COUNCIL TAX BASE (200 FOR 2021/22& 800) & £5 ANNUAL INCREASE	-382	-509	-517	-525	-533
ALLOWANCE FOR GROWTH/INTIATIVES	300	300	300	300	300
<b>BUDGET GAP (PRE-COVID 19 INCOME LOSSES)</b>	<b>2,077</b>	<b>320</b>	<b>454</b>	<b>214</b>	<b>278</b>

<b>WHY HAS IT CHANGED COMPARED TO OUR ORIGINAL £1.119M GAP IN JANUARY (TABLE 2)</b>	
	£000s
EXTRA MRP	50
HSG COVID SUBSIDY LOSS	153
INTEREST - LOW INTEREST RATES CAUSED BY COVID	109
NDR INFLATION NIL - COVID	-51
RIVERSIDE & OTHER BUSINESS RATES	189
RECYCLING INCOME (PRICE VOLATILITY)	208
OUTTURN REVIEW OF HOUSING	249
OUTTURN REVIEW OF TREE MAINTENANCE	20
OUTTURN REVIEW OF FLEET COSTS	20
OUTTURN REVIEW OF LEISURE CASUAL STAFF & MAINTENANCE	108
OUTTURN REVIEW OF UTILITY	75
OUTTURN REVIEW OF LEISURE INCOME (DOVEDALE & CSAC)	46
OUTTURN REVIEW OF HYLANDS INCOME	65
INSURANCE	50
ASSET REPLACEMENT RESERVE - REMOVE ADDITIONAL FUNDING	-150
OTHER INCL. COUNCIL TAX INCREASES AND FAIR FUNDING, GROWTH ETC	-183
<b>CHANGE</b>	<b>958</b>

**COVID – LOSS SCENARIOS (LOW, MID AND HIGH) (TABLE 3)**

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000s	£000s	£000s	£000s	£000s
<b>SHORTFALL BEFORE COVID INCOME ASSUMPTIONS</b>	<b>2,077</b>	<b>320</b>	<b>454</b>	<b>214</b>	<b>278</b>
<b>COVID LOSSES (LOWER CASE)</b>					
CAR PARKING 10% LOSS	743	-743	-	-	-
BUILDING CONTROL	-	-20	-	-	-
THEATRES - OPEN, INCOME LEVELS NORMAL	-	-	-	-	-
HIGH CHELMER - A NUMBER OF REDUCED RENTS AND NON-RENEWALS	463	3	35	-	-
LEISURE -NO LOSSES, PRE-COVID CONDITIONS BY DEC 2020.LAG TO RECOVER MEMBERSHIP NUMBERS OF A FEW MONTHS	-	-	-	-	-
MARKETS - NO LOSSES	-	-	-	-	-
TRADE WASTE - NO LOSSES	-	-	-	-	-
HYLANDS -PRE-COVID INCOME OPERATION BY DEC 2020	-	-	-	-	-
<b>SHORTFALL LOWER CASE INCLUDING COVID LOSSES</b>	<b>3,283</b>	<b>-440</b>	<b>489</b>	<b>214</b>	<b>278</b>
<b>TABLE 4</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b>COVID LOSSES - MID CASE</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>SHORTFALL BEFORE COVID INCOME ASSUMPTIONS</b>	<b>2,077</b>	<b>320</b>	<b>454</b>	<b>214</b>	<b>278</b>
CAR PARKING 20% LOSS	1,486	-1,486	-	-	-
BUILDING CONTROL	-	-	-	-	-
THEATRE SHUT ALL YEAR - PANTO ONLY.	430	-430	-	-	-
HIGH CHELMER -INCREASED NUMBER OF RENT REDUCTIONS AND NON-RENEWALS	740	8	-27	-	-
LEISURE -PRE-COVID CONDITIONS BY MARCH 2021 AND GRADUAL INCOME RECOVERY	516	-516	-	-	-
MARKETS -10% LOSS	61	-61	-	-	-
TRADE WASTE -10% LOSS	92	-92	-	-	-
HYLANDS -PRE-COVID CONDITIONS BY MARCH 2021 AND GRADUAL INCOME RECOVERY	66	-66	-	-	-
<b>SHORTFALL MID CASE INCLUDING COVID LOSSES</b>	<b>5,468</b>	<b>-2,323</b>	<b>427</b>	<b>214</b>	<b>278</b>

<b>TABLE 5</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<i><b>Covid Losses - High case</b></i>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<i><b>Shortfall Before Covid income assumptions</b></i>	<b>2,077</b>	<b>320</b>	<b>454</b>	<b>214</b>	<b>278</b>
<i>Car parking 40% Loss</i>	2,970	743	-	-	-
<i>Building control</i>	60	10	-	-	-
<i>Theatre Shut all year. No panto</i>	750	-750	-	-	-
<i>High Chelmer</i>	1,180	86	65	-	-
<i>Leisure - 30% reduction. A slow recovery and possible second spike</i>	1,548	-1,548	-	-	-
<i>Markets -20% loss</i>	122	-122	-	-	-
<i>Trade waste -20% loss</i>	184	-184	-	-	-
<i>Hylands -30% impact. A slow recovery and possible second spike</i>	264	-264	-	-	-
<i><b>Shortfall High Case including Covid Losses</b></i>	<b>9,155</b>	<b>-1,709</b>	<b>519</b>	<b>214</b>	<b>278</b>

**APPENDIX 3****Capital Strategy**

The Council approves an annual update of its Capital Strategy (latest February 2020). The strategy provides high level overview of how the Council intends to manage its capital expenditure and in turn how this expenditure is financed. The Strategy includes a number of tables for financial forecasts and financial limits. There is need to update the Capital Strategy tables as result of the of the re-purposing of revenue contributions (funding) of capital to support potential Covid 19 losses. This is discussed in paragraph 6.13 of the main report. Below are key changes being made, with explanations. Please note that for the sake of brevity and to maintain focus on the key issues not all of the Capital Strategy tables have been included in the update below.

**Cost of the capital Programme****Previous Forecast**

	<b>2019/20 forecast</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>
Replacement Programme	£3.353m	<b>£4.879m</b>	£4.161m	£1.491m
Capital Projects	£19.196m	<b>£25.683m</b>	£22.224m	£8.214m
Loans and Investments for Service Purposes				
Commercial Activities	£3.930m	<b>£10.900m</b>	£1.220m	£0.500m
<b>TOTAL</b>	<b>£26.479m</b>	<b>£41.462m</b>	<b>£27.605m</b>	<b>£10.205m</b>

**Latest Forecast**

	<b>2019/20 actual</b>	<b>2020/21 forecast</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>
Replacement Programme	£2.982m	£4.285m	<b>£5.644m</b>	£1.661m	£1.379m
Capital Projects	£13.388m	£22.403m	<b>£29.108m</b>	£9.210m	£7.360m
Loans and Investments for Service Purposes					
Commercial Activities	£3.725m	£0.580m	<b>£11.820m</b>	£0.500m	£0.500m
<b>TOTAL</b>	<b>£20.095m</b>	<b>£27.268m</b>	<b>£46.572m</b>	<b>£11.371m</b>	<b>£9.239m</b>
<b>Previous (see above table Previous forecast for detail)</b>	<b>£26.479m</b>	<b>£41.462m</b>	<b>£27.605m</b>	<b>£10.205m</b>	<b>N/A</b>
<b>Change</b>	<b>-£6.384m</b>	<b>-£14.194m</b>	<b>£18.967m</b>	<b>£1.166m</b>	

In total the years 2019/20 to 2022/23 programme is broadly unchanged, a movement of £0.450m. The in-year variations are due to a number of items where the spend profile and timing have changed. The key items being:

From 2019/20 to Later Years

Enabling Works at Lockside £3.2m

From 2020/21 to Later Years

Provision for Acquisition of Commercial Property £10m

Flood Defences £4.8m

Vehicle and Equipment Replacements £1.1m

Galleywood Hall Development of Industrial Units £1.2m

Riverside Cladding £2m

**Financing of the Capital Programme**

Previous Forecast

	<b>2019/20 forecast</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>
Capital Receipts	£5.792m	<b>£6.250m</b>	£7.693m	£1.200m
Grants and Contributions	£5.325m	<b>£3.588m</b>	£14.879m	£0.200m
Revenue Contributions	£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>	£26.479m	<b>£41.462m</b>	£27.605m	£10.205m

Latest Forecast

	<b>2019/20 Actual</b>	<b>2020/21 forecast</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>
Capital Receipts	£3.919m	£2.556m	<b>£15.250m</b>	£1.200m	£1.200m
Grants and Contributions	£3.687m	£4.262m	<b>£16.057m</b>	£0.200m	£0.200m
Revenue Contributions	£0.000m	£0.000m	<b>£3.535m</b>	£2.395m	£1.504m
Internal Borrowing	£11.649m	£20.390m	<b>£10.227m</b>	£7.503m	£6.194m
Finance Leases	£0.840m	£0.060m	<b>£1.503m</b>	£0.073m	£0.141m
<b>TOTAL</b>	<b>£20.095m</b>	<b>£27.268m</b>	<b>£46.572m</b>	<b>£11.371m</b>	<b>£9.239m</b>



The amount of funding applied every year is a reflection of the capital programme spend. A reduction in the use of Revenue contributions is identifiable in the years 2019/20 and 2020/21. This is to repurpose the funding to meet potential Covid 19 losses as discussed in the report. As a consequence, borrowing has to increase over the life of the forecast by some £11m. This forms part of the recommendations to the report.

### **Current Estimate of Gross Debt and the Capital Financing Requirement**

#### **Previous Forecast**

	<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)	£0.159m	<b>£1.093m</b>	£1.543m	£1.110m
External Borrowing	£0.000m	<b>£0.000m</b>	£0.000m	£0.000m
<b>Total “External Borrowings”</b>	£0.159m	<b>£1.093m</b>	£1.543m	£1.110m
<b>Total Capital Financing Requirement (CFR)*</b>	£9.133m	<b>£36.507m</b>	£35.124m	£40.504m
Internal Borrowing (makes up the difference between CFR and external borrowings)	£8.974m	<b>£35.414m</b>	£33.581m	£39.394m

#### **Current Forecast**

	<b>31.3.2020 actual</b>	<b>31.3.2021 forecast</b>	<b>31.3.2022 budget</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>
Leasing (Debt)	£0.738m	£0.635m	<b>£1.731m</b>	£1.377m	£1.064m
External Borrowing	£0.000m	£0.000m	<b>£0.000m</b>	£0.000m	£0.000m
<b>Total “External Borrowings”</b>	£0.738m	£0.635m	<b>£1.731m</b>	£1.377m	£1.064m
<b>Total Capital Financing Requirement (CFR)</b>	£12.388m	£32.503m	<b>£43.292m</b>	£49.858m	£55.128m
Internal Borrowing	£11.650m	£31.868m	<b>£41.561m</b>	£48.481m	£54.064m

#### **Change is identified below**

<b>Total “External Borrowings”</b>	£0.58m	-£0.46m	£0.19m	£0.27m	N/A
<b>Total Capital Financing Requirement (CFR)</b>	£3.26m	-£4.00m	£8.17m	£9.35m	N/A
Internal Borrowing	£2.67m	-£3.55m	£7.98m	£9.09m	N/A

\*CFR – this is the amount of the capital programme that has been funded from borrowings (internal, external or finance leases)

The changes reflect slippage in the payment profile of the capital programme, changes in the profile of capital receipts from sales of assets and use of borrowing instead of revenue contributions.

### **Planned Repayment of Debt**

#### **Previous Forecast**

	<b>2019/20 forecast</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>
MRP	Nil	<b>£0.080m</b>	£0.356m	£0.367m
Finance Leasing MRP	£0.040m	<b>£0.463m</b>	£0.691m	£0.506m
Capital Receipts	£0.000m	<b>£0.000m</b>	£0.000m	£0.000m

#### **Current Forecast**

	<b>2019/20 actual</b>	<b>2020/21 forecast</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>
MRP	Nil	£0.172m	<b>£0.534m</b>	£0.583m	£0.611m
Finance Leasing MRP	£0.042m	£0.103m	<b>£0.406m</b>	£0.427m	£0.455m
Capital Receipts	£0.000m	£0.000m	<b>£0.000m</b>	£0.000m	£0.000m

The key change is to MRP (revenue financing of debt repayment cost). Additional debt due to Covid-19 financial strategy results in higher annual MRP over the life of the forecast, however, the re-phasing of financial completion of a number of schemes discussed earlier in this appendix does keep the annual MRP cost at lower level than would otherwise be expected.

### **Authorised Borrowing Limits**

#### **Previous Limit**

	<b>2019/20 limit</b>	<b>2020/21 limit</b>	<b>2021/22 limit</b>
Authorised limit – external borrowing	£35m	£35m	£35m
Authorised limit – leases	£10m	£10m	£10m
Authorised limit – total external debt	£45m	£45m	£45m
Operational boundary – external borrowing	£25m	£25m	£25m
Operational boundary – leases	£0.16m	£1.09m	£1.54m
Operational boundary – total external debt	£25.16m	£26.09m	£26.54m

### Current Recommendation

	<b>2019/2020 limit</b>	<b>2020/21 limit</b>	<b>2021/22 limit</b>	<b>2022/23 limit</b>
Authorised limit – external borrowing	£35m	£35m	£35m	£35m
Authorised limit – leases	£10m	£10m	£10m	£10m
Authorised limit – total external debt	£45m	£45m	£45m	£45m
Operational boundary – external borrowing	£25m	£25m	£25m	£25m
Operational boundary – leases	£0.16m	£0.64m	£1.70m	£1.40m
Operational boundary – total external debt	£25.16m	£25.64m	£26.70m	£26.40m

### Authorised Limit

The authorised limit is the maximum amount the Council has/will borrow at any time; any activity above that level would require Council approval. This is unchanged from that previously reported.

### Operational boundary

The Operational boundary differs from the authorised limit in that it is based on expectations of the maximum external debt of the authority according to probable – not simply possible – events.

### Leasing

The leasing limit of £10m reflects a proposal to change Local Government accounting arrangements so that any lease undertaken by the Council becomes scored as external borrowing. The figure is provisional and will depend upon the outcome of any consultation on how this change may be implemented.

### Asset Sales

#### Previous Forecast

	<b>2019/20 forecast</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>
Asset sales	£4.700m	<b>£6.000m</b>	£9.000m	£1.000m

### Reserves Projections

Unearmarked Reserves Table	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Opening	£8,184	£9,958	£5,331	£4,635	£4,477	£4,477	£4,477
-Use *	-£4,434	-£9,447	-£308	-£158			
Forgo capital funding and transfer into unearmarked reserves	£6,208	£4,820					
Transfer to Local Development Framework		£0	-£388				
Closing	£9,958	£5,331	£4,635	£4,477	£4,477	£4,477	£4,477

\* includes assumed overspend for 2020/21 from Covid, this figure is a projection.

£130k of use represent Council Tax deficit from 2020/21 due to Covid impact on house building

£31k project officer for Waterside in 2022/23

Funding for potential rent loss £178k in 2021/22 and £127k in 2022/23

Earmarked Reserves -usage for next two years shown.	2021/22					2022/23				
	Opening Balance	Use	Transfer	Contribution from Revenue	Closing Balance	Opening Balance	Use	Transfer	Contribution from Revenue	Closing Balance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cultural Support 'Fund'	154				154	154				154
Chelmsford Development	0	-2,018		2,018	0	0	-884		884	0
Future Replacement of assets	0	-1,723		1,723	0	0	-1,723		1,723	0
Digital Strategy Reserve	0				0	0				0
Growth fund	69	-50			19	19	-19			0
Insurance & Risk	983	-200		50	833	833	-200		100	733
Local Development Framework	451	-161	488		778	778	-251			527
Pension deficiency	1,234			717	1,951	1,951			892	2,843
Park and Ride	213		-100		113	113				113
Hylands House Reserve	3				3	3				3
Housing Initiatives	150				150	150				150
DPO Reserve (this likely to be used in 2020/21 but not committed)	608				608	608				608
Project Evaluation Reserve	390				390	390				390
Carry forwards	0				0	0				0
Business Retention Reserve	894			-894	0	0				0
	<b>5,149</b>	<b>-4,152</b>	<b>388</b>	<b>3,614</b>	<b>4,999</b>	<b>4,999</b>	<b>-3,077</b>	<b>0</b>	<b>3,599</b>	<b>5,521</b>

**Budget Guidelines 2021/22**

**1.0 Introduction**

- 1.1 The Director of Financial Services is required by law to ensure the estimates are 'robust' and all the budgetary proposals are adequately reviewed.
- 1.2 The Director of Financial Services will:
- Issue a budget timetable and detailed guidance to Directors after the Cabinet meeting.
  - Issue standard forms to enable services to provide key information in a common way. The use of the standard forms is essential to ensure consistency in decision making
- 1.3 Given the scale of the potential budget deficit, additional measures will be put in place during 2020/21 to control current year spending and to oversee the savings process to ensure an adequate programme of cost reductions and income generation is identified.

**2.0 Guidelines to Prepare Service Budgets**

- 2.1 It is proposed that in the period September to December that Cabinet Members and Directors meet to resolve budget issues culminating in the production of a draft budget for the January Cabinet meeting.
- 2.2 The Council will continue to operate a 'control' budget system, where services are restricted to a set level of net budget expenditure on the basis of current year estimates plus adjustments for:
- inflation on employees' costs 2%
  - non-domestic rates 0%
  - a standard price increase of 2%
  - a 3% vacancy factor has been applied in past years to certain staff budgets, this practice should continue
  - funding for increments will be met by services from savings on appointing new staff at the bottom of their grade
  - the Director of Finance should calculate at year end the appropriate level of Insurance reserve and ensure transfers between reserves are made to meet this requirement. The budget will include proposals to provide a sustainable annual budget to meet the cost of insurance excesses.

The Director of Finance will calculate the 2021/22 control budgets for each service based on the above assumptions starting from the original 2020/21.

- 2.3 Savings or increases in the utility costs will initially be kept/ funded centrally so no service suffers or benefits from significant price changes. The Council will manage the purchase of utility costs centrally to achieve maximum economies of scale.

- 2.4 Additional grant that is not awarded for a ring-fenced purpose should be identified as a saving and not used to fund growth within a service.
- 2.5 Any proposals to increase the budget beyond the calculated control budget will be identified for approval, as part of the budget process.
- 2.6 Fees and Charges increases will be considered as part of the budget process but an initial assumption will be a 2% increase.
- 2.7 The review of the capital programme is part of the budget process and the existing scheme budgets will be refreshed and will form the basis of a report to Cabinet.
- 2.8 Capital scheme budgets:
- Capital Budgets for the year will be reduced at Christmas unless there is clear evidence of a commitment to spend i.e. if a capital budget is significantly different to the level of financial commitments shown in the week prior to Christmas on the financial ledger system. Members will be asked to approve in January a lower budget more in keeping with the financial commitments.
  - That all new capital bids are a minimum of £10,000.
  - That all new capital bids should be to support delivery of the Council's priorities under Our Chelmsford: Our Plan.
  - Annual review of the replacement programme
  - Proposals to Council for new capital schemes will prioritise those schemes that generate revenue income or cost savings.
  - The revenue cost of the capital funds used to fund new schemes will be calculated and included within the revenue estimates based on cost of loans repaid over the life of the asset.
- 2.9 The Director of Financial Services, will ensure that the statutory requirement to consult with non-domestic ratepayers is met.
- 2.10 Any amendment to these guidelines will be dealt with by the Director of Financial Services in consultation with the Cabinet Member for a Fairer Chelmsford.