

# Council Meeting Agenda

**Wednesday, 27 February 2019 at 7 p.m.**

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

## **MEMBERSHIP**

The Mayor – Councillor Y.M. Spence  
The Deputy Mayor – Councillor C. Garrett

and Councillors

E.A. Ahmed, R.A. Alcock, R.H. Ambor, L. Ashley,  
A. Chambers, N. Chambers, J.E. Chandler, S.A. Cook,  
P.J. Cousins, J.A. Deakin, J. De Vries, L.P. Denston,  
R.F. Denston, M.J. Flack, S.D. Fowell, J. Galley, I. S. Grundy,  
N. Gulliver, S.K. Hindi, M.W. Holoway, P.V. Hughes,  
P.J.L. Hutchinson, J. Jeapes, A.M. John, G.B.R. Knight,  
D.A. Lumley, A.J. McQuiggan, R.A. Madden, R. Massey,  
L.A. Millane, F. B. Mountain, J. Murray, S.W. Pontin, J.A. Potter,  
R.J. Poulter, J. Raven, R.A. Ride, S.J. Robinson, T.E. Roper,  
S.J. Scott, G.C. Seeley, R. J. Shepherd, M. Sismey, G.H. Smith, G.I.  
Smith, M. Springett, D. W. Stevenson,  
S.R. Sullivan, R.A. Villa, L.M. Ward, M.D. Watson,  
R.T. Whitehead, P.R.A. Wilson and I Wright (One vacancy)

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

# **COUNCIL**

**27 February 2019**

## **AGENDA**

### **PART 1**

1. **Apologies for Absence**
2. **Mayor's Announcements**
3. **Declarations of Interest**

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

4. **Minutes of the meeting held on 5 December 2018** (copy attached)
5. **Public Question Time**

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

6. **Cabinet Question Time**

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

7. **Finance Reports**

7.1 Options for Local Council Tax Support Scheme 2019/20

7.2 Council Tax – Changes to Charges for Empty Properties

7.3 The Council's Revenue Budget 2019/20 – Director of Financial Services' Report on the Review of the Budget and the Level of Reserves and Balances

7.4 Revenue Estimates 2019/20

7.5 Capital and Investment Strategy 2019/20

7.6 Capital Programme Update

7.7 Treasury Management Strategy 2019/20

8. **Pay Policy Statement 2019/20**

To consider the attached report by the Chief Executive

9. **Designation of Monitoring Officer**

To consider the attached report by the Director of Corporate Services

PART II (EXEMPT ITEMS)

NIL

After this meeting has closed, members are requested to stay behind  
to consider the nomination of Mayor for 2019/20

**CHELMSFORD CITY COUNCIL****MINUTES OF THE COUNCIL MEETING****held on 5 December 2018 at 7pm****PRESENT:-**

The Mayor (Councillor Y M Spence)  
The Deputy Mayor (Councillor C Garrett)

**Councillors**

E.A. Ahmed	N. Gulliver	J. Raven
R.A. Alcock	S.K. Hindi	S.J. Robinson
R.H. Ambor	M.W. Holoway	T.E. Roper
L. Ashley	P.J.L. Hutchinson	S.J. Scott
A. Chambers	J. Jeapes	G.C. Seeley
N. Chambers	G.B.R. Knight	R.J. Shepherd
J.E. Chandler	D.A. Lumley	M. Sismey
S.A. Cook	R. Massey	G.I. Smith
P.J. Cousins	A.J. McQuiggan	M. Springett
L.P. Denston	R.A. Madden	S.R. Sullivan
R.F. Denston	R. Massey	R.A. Villa
J. De Vries	L.A. Millane	R.T. Whitehead
S.D. Fowell	F.B. Mountain	P.R.A. Wilson
J. Galley	J.A. Potter	I. Wright
I.S. Grundy	R.J. Poulter	

**1. Apologies for Absence**

Apologies for absence were received from Councillors J A Deakin, M J Flack, P V Hughes, J Murray, S W Pontin, R A Ride, A F Sach, G H Smith, L M Ward and M D Watson.

**2. Mayor's Announcements**

On behalf of the Council, the Mayor expressed sympathy at the recent death of Councillor Deakin's father.

The Mayor said that she had conducted a number of civic engagements and attended a variety of events in recent months, including visits to 20 primary schools, the Civic Lunch at Hylands House, the opening of a new play area in Central Park, several events associated with the Centenary of the end of World War One, and a visit to Backnang, as well as meeting that town's Burgermeister when he had visited Chelmsford. Of all the events attended, the Mayor was most proud of the Remembrance Day Service and Parade, which she felt had been a fitting tribute to those who sacrificed so much during World War One. The Mayor thanked the Civic Services Manager, Katherine Eley, for her part in the organisation of the event.

The Mayor congratulated the staff at Hylands House, which had received the wedding venue of the year award in the Heritage category of the Essex Wedding Awards, and the Parks staff for the Green Flag Award and a number of awards by the Essex Playing Fields Association.

The Mayor reminded those present that the Civic Carol Service would be held at the Cathedral on 14 December, which all were invited to attend.

3. **Minutes**

The minutes of the meeting on 18 July 2018 were signed as a correct record.

4. **Public Question Time**

A question was asked about the action taken following the reports in the media some months ago that appeared to indicate that plastic waste collected in Chelmsford intended for recycling was being sent to landfill in China. The questioner asked whether an alternative contractor for the processing of plastic waste had been engaged and what steps had been taken to prevent a repeat.

The Cabinet Member for Waste Management, Recycling and Parking Services said that an investigation following the report had indicated no chain of evidence that the waste in question had come from kerbside collections in Chelmsford. The City Council only sent high quality, segregated plastic waste to accredited recycling companies and was confident that the materials were reprocessed to a high standard. The waste in question had been plastic recycling bags bearing the Council's logo which may have been unused or disposed of by people living in other areas.

5. **Cabinet Question Time**

The following questions were put to Cabinet Members, who gave the responses indicated.

(a) **Question from Councillor S J Robinson to the Cabinet Member for Parks**

*Across many of the older estates in Chelmsford are grass verges and large grassed areas in front of houses. There is also a growing demand for parking spaces.*

*Does the council have a policy about when it would consider giving up small areas of grass to "grasscrete" in such areas, if the residents request it?*

The Cabinet Member for Parks replied that many of the verges referred to in the question were highway verges and part of the highway, as they would be accessed from the highway. The responsibility for the highway fell to the Highway Authority, Essex County Council. Such proposals needed to be pursued via the Essex County Council Local Highways Panel. Where the cooperation of the City Council was required, it was happy to provide it.

Town Planning considerations applied in the event of the loss of local open/amenity space or if there may be loss of street trees. These matters would have to be addressed as part of the Local Highways Panel proposals.

On a point of clarification, Councillor Robinson said that he had been referring to the grassed areas in front of houses, which he believed to be the responsibility of the Parks Service. The Cabinet Member said that the areas were maintained by Parks staff but remained highway.

(b) *Question from Councillor S J Robinson to the Cabinet Member for Information Technology and Corporate Services*

*What assessment has the Council made of the impact on the Council of the UK leaving the EU?*

The Cabinet Member said that until the final details of any Brexit agreement were known and agreed it was difficult to assess the impact on the Council. In the past few weeks the government had published a number of technical papers that gave local authorities an idea of how they might be affected. At this stage the impact on frontline services would be minimal as the vast majority of laws and regulations that the Council had to comply with, or enforced, were enshrined in UK legislation so it was anticipated that at the implementation of any Brexit it would be very much business as usual. There would probably be some unforeseen consequences which would be managed at the time they arose similar to other business continuity issues that the Council had to deal with from time to time. When and if a Brexit agreement was approved, the Council would be able to more effectively assess the likely impact taking into account Government guidance and advice.

The Council had reviewed its supply chain and had only four active suppliers outside of the UK (two European and two based in the USA), so there should be very limited impact under Brexit in whatever form that took. Initially, current procurement rules would continue to apply under UK Regulation but could lead to more flexible public purchasing options in the future.

Officers were attending regional events in order to ensure that they were aware of the key issues facing Local Authorities as currently identified. At this stage official guidance was still patchy as the details of any Brexit arrangements were yet to be finalised.

In response to a supplementary question, the Cabinet Member said that a review had been carried out of the effect of Brexit on the Council as an employer and it was not anticipated that there would be an impact on existing staff.

(c) *Question from Councillor F B Mountain to the Cabinet Member for Strategic Housing*

*Have the Council any information regarding any additional plans or contingencies for the homeless over the Christmas period and if so could it be put on the Council's website as to what is available? I have been asked this question by many residents on the subject and I have tried to find out by asking several Charities and Churches and there seems very little on offer.*

Members were informed that the Council had introduced a transformation programme for its Housing Service in 2018 following the introduction of the Homelessness Reduction Act. This had resulted in a reduction in the numbers in temporary accommodation from 369 in October 2017 to 271 in October 2018. An enormous amount of work had been done by the Council and its

partners to tackle rough sleeping. The needs of those who were street homeless were such that temporary accommodation was not necessarily the solution to their problems and specialist help was provided by a variety of organisations. The Council provided financial support to CHESS to run its winter project from December to March and to provide a safe environment for those at risk. The Council's Housing Service would also be providing its 24 hour out-of-hours service throughout all of the Christmas period whilst the offices were closed for anyone who was at immediate risk of becoming homeless during this period.

The Cabinet Member said that he would arrange for the contact information for those support services to be sent to councillors.

#### 6.1 **Treasury Management Mid-Year Review 2018/19**

The Treasury Management Sub-Committee and the Cabinet had recommended that the Council approve the report on the review of the Council's treasury management strategy for 2018/19.

In response to a question, the Cabinet Member for Finance said that the Council did not currently invest in commercial property elsewhere in the country.

**RESOLVED** that:

1. the compliance of Treasury Management operations with the prescribed strategy for 2018/19 be noted;
2. the Council note that it may be necessary to borrow for short term liquidity needs towards the end of the financial year in line with the Authorised Borrowing Limit set out in the report; and
3. the Council recognises that the investment strategy does result in some risk to capital invested but that this is at an appropriate level.

*7.27 to 7.31pm*

#### 6.2 **Mid-Year Review of the Budget for 2018/19**

The Council considered a report which examined its original budget for 2018/19 against the financial activity to date and provided an update on the level of projected reserves. The Cabinet on 20 November 2018 had recommended approval of the revised budget.

During discussion of the report it was pointed out that savings and reductions in spending so far in 2018/19 had been greater than the overspend. However, many of the savings were one-off whilst a number of the overspends were permanent additional costs or reductions in income. Examples given were the loss of income from the summer music festival, and the Housing Service, where the transformation project had resulted in additional costs but where numbers in temporary accommodation had reduced partly as a result, it was claimed, of operating stricter criteria on the acceptance of claims for homelessness. The Cabinet Member was asked how it was proposed to bridge the spending gap in such cases.

The Cabinet Member said that it was the practice to introduce new schemes and their budgets during the year rather than await the next financial year. Although changes were made during the financial year and some reductions were one-off and others permanent, the budget had been balanced at the end of each financial year. In the case of the housing transformation project, the additional cost resulted as a response to legislative changes and the duty to ensure that those claiming homelessness had a connection with the city. Between August and October 2018, there had been 118 cases where the Council had accepted a legal duty to make assessments. Of those, 43 were cases where homelessness could be prevented and 23 where it could be relieved; for the remainder, temporary accommodation had needed to be provided. The 56 days in which to carry out the assessment meant that the officers had time to identify and address the applicant's particular needs.

The loss of income from the music festival had resulted from the organiser changing its format this year. Negotiations had been held with the promoter about future years' events.

**RESOLVED** that the proposed changes to the 2018/19 budget and reserves as set out in the report to the meeting and Appendices 1 and 2 be approved.

*7.31 to 7.40pm*

7. **Gambling Act 2005 – Statement of Licensing Policy**

The Licensing Committee on 13 September 2018 had recommended adoption of the updated Statement of Licensing Policy under the Gambling Act 2005. Consultation on the draft Policy had resulted in the proposed removal of paragraph 13.5, but other than minor updates no other major amendments were proposed.

**RESOLVED** that, subject to deletion of paragraph 13.5, the Statement of Licensing Policy under the Gambling Act 2005 submitted with the report to the meeting be adopted.

*7.40 to 7.42pm*

8. **Review of the Constitution**

The Governance Committee on 17 October 2018 had recommended three changes to the Council's Constitution relating to the means by which the Independent Remuneration Panel was convened, the process for approving members' extended absences, and the confirmation of Article 4 Directions. Those amendments had been supported by the Cabinet on 20 November 2018.

**RESOLVED** that the changes to the Constitution detailed in the report to the meeting be approved.

*7.42 to 7.44pm*



9. **Notice of Motion – Library Provision in Chelmsford**

Councillor Madden declared a non-pecuniary interest in this item in his capacity as a member of the County Council Cabinet which had decided on the consultation over the future of the library service.

Pursuant to notice duly given it was moved by Councillor S R Sullivan, seconded by Councillor J Jeapes that:

“This Council has been briefed on the review and public consultation that has been launched by Essex County Council in regards to library provision across the county, including within the City of Chelmsford.

We recognise and agree that the current library service is in need of modernising in the light of changing usage by the public.

Therefore, Chelmsford City Council pledges to work with our County Council partners in this regard and will consider options around location, service access and opening hours as part of this review. We will support efforts to involve the local community in both shaping and delivering future library provision in the City, with particular focus on Springfield Library, shown as Tier 3 and the five libraries identified as Tier 4.”

Councillor Robinson stated that whilst he was pleased that the motion had been submitted and that the County Council was being flexible in putting forward a range of options, it failed explicitly to oppose library closures. He therefore moved as an amendment that the words “but will oppose any closures” be added to the end of the motion. This amendment was put and lost.

In the debate on the original motion, the point was made that the consultation presented an opportunity for the Council and others to influence sustainable proposals that would help keep libraries open. The issue was as much about the future of the library buildings as the service itself. The retention of the buildings for other community uses was an important consideration and the City Council would look sympathetically at assisting with funding to enable such uses.

On being put to the vote the original motion was carried.

**RESOLVED** that the Notice of Motion on Library Provision in Chelmsford be adopted.

*7.44pm to 7.56pm*

10. **Notice of Motion – Reducing Plastic Waste**

Pursuant to notice duly given it was moved by Councillor S J Robinson, seconded by Councillor M Springett, that:

“This Council notes with concern:

1. That 300 million tons of new plastic is made each year, half of which is single use plastic and there are practical alternatives available.
2. That in 2016, the Ellen MacArthur Foundation estimated that by weight, there could be more plastic in our oceans than fish, as soon as 2050, and it will stay in our environment for up to an estimated 600 years.
3. That marine plastic leads to coastal / offshore dead zones, death to sea life, toxic transfer and, once degraded into micro plastics, contamination of food, including our own. We are quite literally eating the plastic that has ended up in our seas.

This Council welcomes the success of the ‘Plastic Bag Levy’, proposed by the Liberal Democrats in the 2010-15 Coalition Government, which has led to an 85% reduction in disposable plastic bag usage.

This Council resolves to:

1. Undertake an audit of single use plastics used by the Authority and seek to replace with sustainable or reusable alternatives
2. Play its part in informing the public about the need to reduce plastic waste, including in its online and written materials
3. Continue to push for the sustainable recycling of plastic waste and ensure that its contractors dispose of the waste responsibly
4. Write to our three Members of Parliament and the Secretary of State for Environment, Food and Rural Affairs, urging them to consider legislation and regulations which will reduce single use plastic
5. Use the links it has with local businesses to encourage them to reduce the amount of plastic waste produced, and specifically to write to each of the major supermarkets asking them to consider introducing a ‘plastic free aisle’ in their Chelmsford stores on a trial basis.”

Councillor Robinson said that the use and disposal of plastic waste had a high public profile as a result of increased media attention recently and the purpose behind the motion was to show leadership on the part of the Council, both by acting as an example and educating others on the need to reduce plastic waste.

It was moved as an amendment by Council Sismey that the wording in the motion after “This Council welcomes” be deleted and replaced with proposed wording that, he argued, better reflected the practical measures already being taken by the Council to reduce waste and educate the public on the benefits of recycling plastics. He said that for some purposes, such as reducing food waste, plastic was a useful material and the long-term aim should be to develop and make greater use of biodegradable materials. However, that was something that needed to take place at a national level and his amendment concentrated on the steps that could be and were being taken locally. On being put to the vote the amendment was carried and the Council accordingly

**RESOLVED** that:

This Council notes with concern:

1. That 300 million tons of new plastic is made each year, half of which is single use plastic and there are practical alternatives available.
2. That in 2016, the Ellen MacArthur Foundation estimated that by weight, there could be more plastic in our oceans than fish, as soon as 2050, and it will stay in our environment for up to an estimated 600 years.
3. That marine plastic leads to coastal / offshore dead zones, death to sea life, toxic transfer and, once degraded into micro plastics, contamination of food, including our own. We are quite literally eating the plastic that has ended up in our seas.

That this Council notes:

Reducing single use of plastics and recycling of plastic waste is a high priority for Chelmsford City Council. This is evidenced by our long-standing commitment to source separated collections and post collection separation of polymer types which helps ensure that as much of the material as possible that is collected is recycled. Our performance is very highly rated but our ambition through continued and extensive education and campaign work with local residents and businesses and by working together with the material reprocessing industry, is to do even more to reduce the use of plastic and to ensure that as much plastic is recycled as is practically possible.

It is also noted that the Council will continue its efforts to reduce single use of plastic receptacles etc. as set out its current waste minimisation plan which already includes measures such as only using reusable or biodegradable alternatives, issuing refillable waters bottles and additional filling points and improvements to onsite recycling facilities at Council offices.

This Council resolves to:

1. Continue to maintain its long-standing commitment to source separated collections and post collection separation of polymer types which helps ensure that as much of the material as possible that is collected is recycled.

2. Further improve our already highly rated performance through continued and extensive education and campaign work with local residents and businesses and by working together with the material reprocessing industry, to do even more to reduce the use of plastic and to ensure that as much plastic is recycled as is practically possible.
3. Continue its efforts to reduce single use of plastic receptacles etc. as set out its current waste minimisation plan which already includes measures such as only using reusable or biodegradable alternatives, issuing refillable waters bottles and additional filling points and improvements to onsite recycling facilities at Council offices.

*7.56pm to 8.10pm*

11. **Notice of Motion – Impact of Universal Credit on Residents and City Council Services**

Pursuant to notice duly given it was moved by Councillor S J Robinson, seconded by Councillor M Springett, that:

“Council notes the arrival of Universal Credit (UC) in Chelmsford and agrees with the aim of making benefits less complicated. However, in its capacity as a local authority responsible for the provision of Housing and Benefits Services, the Council is concerned about the impact of UC on local residents in receipt of those Services and the unnecessary hardship it could cause to some of them.

Council notes the findings of BBC Panorama recently that large numbers of social housing tenants on UC owe more than double in rent arrears than benefit claimants on the old Housing Benefit scheme and the huge rise in general debt levels amongst claimants, many of whom have never been in debt before.

In the interests of Chelmsford residents and to reduce the impact of the UC system on the delivery of its services, Council believes

- (a) anyone at risk of homelessness should be exempt from the seven-day waiting period at the beginning of a Universal Credit claim;
- (b) individuals identified as homeless should be granted alternative payment arrangements as standard, from the beginning of their claim; and
- (c) that a minimum six-week waiting time for first payment is forcing many vulnerable people into debt.

Council therefore resolves to

- (a) persuade landlords to accept tenants receiving UC,
- (b) write to the Secretary of State for Work and Pensions, making these points, requesting that the Government recognises addresses these issues, and that the roll-out is halted until the problems are fixed.”

Councillor Robinson argued that the intention to simplify the benefits system was good but the flaw lay in the way in which it was being implemented and the aim ultimately was to cut the benefits given to the most vulnerable in society. The introduction of UC in other parts of the country had increased homelessness and debt and led to the greater use of food banks. Private sector landlords were increasingly reluctant to accept tenants in receipt of benefits, partly due to the delays in the receipt of payments.

The Cabinet Member for Finance said that he could not accept the motion as it stood as it was based on out of date information and therefore flawed. He said that Chelmsford's Jobcentre was one of the last in the country where new claims for assistance from working age people would be assessed using Universal Credit. There would not be an immediate mass transfer of existing claims to Universal Credit. The only people it would affect were those who claimed for the first time or who had a change of circumstances. There would be a gradual transition until such time as 'managed migration' was implemented. Managed migration would consist of inviting existing claimants of what the DWP now called 'heritage benefits' to claim Universal Credit. The managed migration process was not expected to start at all until mid-2019, and then only in pilot areas. Managed migration was expected to carry on until at least 2023.

Everybody was committed to ensuring that the transition to Universal Credit did not create hardship for residents. The Government announced measures in the Autumn Statement in November 2017 which already addressed the three concerns raised by Councillor Robinson.

Firstly, the seven-day waiting period at the beginning of a Universal Credit claim, whereby UC was not paid for the first seven days after a claim was made, was removed for all claimants (not just those at risk of homelessness) with effect from February 2018.

Secondly, individuals who were homeless and had been placed in temporary accommodation by the local authority would not claim Universal Credit for their housing costs. This came into force in April 2018. These individuals would still claim housing benefit, although they would have to claim Universal Credit for their day-to-day living costs. With respect to the wider issue of payments directly to landlords, instructions had been given to UC staff that, where a person was receiving payment of HB direct to their landlord prior to claiming UC, they should be offered an alternative payment arrangement of UC housing element at the start of their claim (i.e. payment direct to landlord). This went further than the motion proposed by Councillor Robinson.

Thirdly, in order to ease the transition from Housing Benefit to Universal Credit, the Government introduced a two-week Housing Benefit 'run-on'. Once a person in receipt of Housing Benefit claimed Universal Credit, their Housing Benefit entitlement stopped. However, the 'run-on' allowed local authorities to pay an additional two weeks' worth of Housing Benefit. Not only that, the run-on payment was calculated assuming that the claimant had no income (regardless of whether that was the case or not). Many people would therefore be receiving more in their run-on than they were actually entitled to in Housing Benefit previously.

With respect to waiting times, the DWP locally advised that Basildon Service Centre was paying 82-83% of UC claimants their full entitlement within five weeks of the claim being made. There was no automatic minimum six week wait. DWP's research suggested that 85% was about the maximum achievable because, for a variety of reasons, not everybody who made a claim saw it through to completion. The DWP were carrying out further research to find out why this was, so that take-up could be maximised.

Where people claiming UC were facing hardship, they were able to request an advance of up to 100% of their estimated first UC payment. These advances were paid within five days and were repayable over the next 12 months. Advances were another way of helping people manage their finances in the transition to UC.

Easing the transition to UC was only part of the story and landlords did need to be encouraged to continue to take tenants who needed assistance to pay their rent, whether that be via Housing Benefit or Universal Credit. The DWP had produced a leaflet of 'Top Tips' for landlords, which the Council had added to its website to assist with this process. With UC being administered by the DWP, local authorities had very limited influence on the process. However, rather than take a vote on the motion Councillor Galley proposed a procedural motion under Council Rule 4.1.13.17 that a Task and Finish Group drawn from Overview and Scrutiny Committee members be set up to monitor the effect on residents as UC implementation progressed in Chelmsford. Councillor Robinson said that he accepted that motion.

**RESOLVED** that the Overview and Scrutiny Committee be requested to establish a Task and Finish Group to monitor the effect on residents of UC as its implementation progresses in Chelmsford.

The meeting closed at 8.24pm

Mayor

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OPTIONS FOR LOCAL COUNCIL TAX SUPPORT SCHEME 2019/20

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1. On 29 January 2019 the Cabinet considered the attached report on options for the Local Council Tax Support Scheme for 2019/20 and resolved as follows:

**“RECOMMENDED TO THE COUNCIL** that a Local Council Tax Scheme for 2019/20 in the form described in option 2 in the report to the meeting (essentially, retention of the current scheme but with changes to the rules relating to the assessment of local council tax support for working age applicants) be adopted.”

2. **RECOMMENDED TO THE COUNCIL**

That the recommendation of the Cabinet on the Local Council Tax Support Scheme for 2019/20 be approved.

**CABINET**  
**29 January 2019**

**AGENDA ITEM**

<b>Subject</b>	OPTIONS FOR LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME 2019/20
<b>Report by</b>	CABINET MEMBER FOR FINANCE

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

**Purpose**

To agree a Local Council Tax Support (LCTS) scheme for 2019/20 to put forward for Full Council approval before 11 March 2019.

**Options**

1. To adopt 2018/19's existing LCTS scheme as the scheme for 2019/20 with no changes
- OR
2. To make changes to the existing 2018/19 LCTS scheme

**Recommendation**

That Cabinet recommends to Full Council a LCTS scheme for approval before 11 March 2019. The recommendation is that option 2 (s5.2 of this report) is adopted.

**Corporate Implications**

<b>Legal:</b>	A local scheme must be agreed by Full Council before 11 March 2019 or the current 2018/19 scheme will continue unaltered. A statutory public consultation lasting six weeks has taken place asking for views on possible options.
<b>Financial:</b>	The overall amount of Government grant given to all preceptors will reduce again in 2019/20. The exact relationship between reducing LCTS expenditure and Council Tax collection rates is unclear, although in-year collection rates of Council Tax have dropped by 1% since LCTS was introduced in April 2013. 1% equates to a shortfall of £1.1m on an estimated Council Tax debit of £111m in 2018/19, although strong performance on arrears collection in subsequent years has offset this reduction.



Personnel:	The nature of any staffing issues will depend on the scheme ultimately chosen. A scheme requiring LCTS recipients to pay more than at present will place additional pressure on Customer Services and Recovery staff.
Risk Management:	None.
Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out?)	Minor changes to the existing policy are proposed, which are beneficial to certain disabled persons. The equalities impact assessment has been revised.
Health and Safety:	None
IT:	The existing Benefits software is capable of maintaining the current scheme. Any radical proposed changes will need to be evaluated as to whether the software can deliver them.
Other:	

<b>Consultees</b>	Director of Financial Services, Director of Corporate Services, Legal and Democratic Services Manager, Pan Essex Council Tax Support Scheme Project Group
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### Policies and Strategies

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

Benefits Operational and Internal Security Policy  
Benefits Customer Service Policy

### Corporate Plan Priorities

The report relates to the following priorities in the Corporate Plan

Attracting investment and delivering infrastructure	<input checked="" type="checkbox"/>
Facilitating suitable housing for local needs	<input type="checkbox"/>
Providing high quality public spaces	<input type="checkbox"/>
Promoting a more sustainable environment	<input type="checkbox"/>
Promoting healthier and more active lives	<input type="checkbox"/>
Enhancing participation in cultural activities	<input type="checkbox"/>

## 1. Background

- 1.1 Following the abolition of the national Council Tax Benefit scheme, the Local Government Finance Act 2012 laid down regulations which set out the process by which local authorities must approve a Local Council Tax Support (LCTS) scheme with effect from 2013/14. The LCTS scheme assists people on a low income to pay their Council Tax by reducing the amount that they have to pay. The regulations included protection for pensioners via the 'Prescribed Regulations' which retain the old Council Tax Benefit scheme in all but name and mean that pensioners can receive LCTS equivalent to a maximum of 100% of their Council Tax liability. Councils are allowed to make changes in the way that support is calculated for working age claimants. Importantly, the amount of Government grant available to preceptors to meet the cost of any support has reduced year on year since 2013/14.
- 1.2 Chelmsford decided that its 2013/14 LCTS scheme should reduce support to the working age to match the grant available from the Government. It did this by reducing the amount of support available to those of working age to a maximum of 80% of their Council Tax liability. This means that all working age recipients, regardless of their income, had to pay a minimum of 20% of their Council Tax liability. For 2014/15, this minimum payment was raised to 23% of the Council Tax liability. Subsequent reductions in Central Government grants mean that LCTS expenditure in 2018/19 will exceed grant contributions to all preceptors by an estimated £1.7m. This equates to a shortfall to be borne by Chelmsford taxpayers of £230k.

## 2. Introduction

- 2.1 In December 2017, the Full Council approved Chelmsford's Local Council Tax Support (LCTS) scheme for 2018/19.
- 2.2 The key principles of the 2018/19 LCTS scheme for the working age are summarised below.
  - All working age recipients pay a minimum of 23% of their Council Tax liability. Pensioners can receive a maximum of 100% of their Council Tax liability.
  - Council Tax liability, for the purposes of calculating entitlement, is restricted to the level for a Band D property. A working age person in a Band H property will have their LCTS calculated on the Band D liability. A pensioner household receives LCTS based on their actual liability regardless of Band.
  - LCTS is not available to working age people with more than £6,000 in savings. Pensioners can have up to £16,000 in savings before entitlement is removed.
  - Other non-dependant adults in the household are required to contribute more, which reduces the LCTS payable to the person claiming. This provision exists for pensioner households, although the deductions are lower and are specified by Government.
  - £10 per week of child maintenance received is disregarded. Any child maintenance paid to a pensioner household is disregarded in full.
  - There are additional disregards to earned income to encourage work. This provision is more generous for the working age than for pensioner households.
  - For self-employed recipients, national minimum wage levels are assumed as income for the purposes of calculating LCTS entitlement if the declared income from self-employment is lower than minimum wage. This applies after the first year of self-employment.

- 2.3 The amount of any reduction in Council Tax for people on low incomes is means-tested. This means that a household's income is compared to a set of allowances. These allowances vary depending on the personal circumstances of the household i.e. the number of children, any disabilities etc. Households with an income below the relevant allowances receive the maximum allowable LCTS ie 77% of Council Tax liability (capped at Band D rates). Households with an income above the relevant allowances have support withdrawn at a rate of 20p for every pound by which income exceeds allowances. The rules for pensioner households are set by Government. Local councils have the power to decide how much help is given to working age households.
- 2.4 Chelmsford's 2018/19 scheme made no change to the main feature of previous schemes in that all working age claimants are required to pay a minimum of 23% of their Council Tax liability, regardless of their income. Despite increases in 2018/19's Council Tax, expenditure on the LCTS scheme is expected to remain at the same level as 2017/18; approximately £6.5m.
- 2.5 Chelmsford's Full Council is now required to agree and approve a LCTS scheme for 2019/20. It is proposed that the 2018/19 scheme is retained with only minor amendments. There may be amendments required for the pensioner households as a result of changes to the Prescribed Regulations. The 2019/20 LCTS scheme will be amended as required by law once any relevant Statutory Instrument is published. There is no requirement for Cabinet or Full Council to approve statutory changes.
- 2.6 Although only minor beneficial changes are proposed, along with some technical change, a six-week public consultation exercise has been carried out which ended on 28 January 2019. If Cabinet is minded to make a more significant change to the minimum contribution that a working age household must make, that has also been catered for within the consultation. The results of any consultation and an equalities impact assessment will be considered by Cabinet now and must be considered by Full Council on 27 February 2019 in order to ratify the 2019/20 LCTS scheme before the 11 March 2019 deadline. The results of the consultation as at 17 January 2019 are shown in Appendix 4. As in previous years, the response rate has been very low and some caution should be exercised in placing a great deal of weight on the outcome. The few who have responded are supportive of the technical changes proposed in Option 2 of this report.

### 3. Scheme Finances

- 3.1 A detailed examination of the LCTS scheme expenditure and Government grant can be found in Appendix 2. In summary, the Government pays an amount of grant to Chelmsford City Council, Essex County Council and the Police and Fire authorities to assist with the cost of the LCTS scheme. It is the billing authority, this Council, which is responsible for assessing the amount of LCTS payable and reconciling this through the collection fund.
- 3.2 Since 2013/14, the Government has indicated that the amount of LCTS grant paid to authorities each year has remained constant. However, this grant was incorporated into the Single Formula Allocation (SFA) in 2014/15 and the overall amount of SFA grant has reduced each year. It is practical therefore to view the amount available to subsidise LCTS expenditure as also having reduced each year.
- 3.3 Billing authorities, such as Chelmsford, have to decide how much help is given to working age households to pay their Council Tax. They can decide to reduce the

amount of LCTS to match the grant paid; not change the LCTS scheme at all; or, increase the support available. If support is reduced, it may mean that the amount of Council Tax collected falls if individuals are unable to meet their increased liability. However, if the scheme expenditure remains the same or increases, Chelmsford and the precepting authorities will bear the shortfall between the grant that the Government pays out and the cost of the LCTS scheme. Each body bears the cost of the shortfall in proportion to its share of the Council Tax collected.

- 3.4 It is estimated that the shortfall between LCTS expenditure and government grant will be £1.65m in 2018/19. As at December 2018, the amount of LCTS paid to working age households totalled £3.35m, with a further £3.15m being paid to pensioner households. It would be necessary to remove increase the minimum payment of Council Tax due from all working age households to approximately 58% in order to make LCTS scheme expenditure match the available grant. £0.8m pa of the working age LCTS expenditure is being paid to households receiving minimum levels of income. As the only cost-effective method of recovery available in such cases is a £3.70pw deduction from benefits and average Band D Council Tax liability is £29pw, there is a strong likelihood that any 'saving' on scheme expenditure would be matched by a comparable fall in collection rates.

#### 4. Equality Issues

- 4.1 When deciding upon a scheme, the Council is required to have due regard to its Public Sector Equality duties. The Public Sector Equality Duties (PSED) are to be found in section 149 of the Equality Act 2010, which requires public authorities to give due regard to the need to:
- i. eliminate unlawful discrimination and harassment in the respective fields of race, sex and disability;
  - ii. promote equality of opportunity between those with a protected characteristic and others; in addition, the Race and Disabilities Duties include the need to promote good race relations; and,
  - iii. take steps to take account of disabled people's disabilities even where that involves treating disabled people more favourably than others; and,
  - iv. promote positive attitudes towards disabled people and to encourage participation by them in public life.
- 4.2 An Equality Impact Assessment (EIA) for 2019/20's Local Council Tax Support scheme is attached for reference at Appendix 3. This would need to be re-visited if further changes to the current scheme are proposed. Any scheme which reduces the amount of money paid out to residents is going to impact upon them in a negative fashion. The EIA shows where these impacts are and describes which actions are possible to mitigate the negative effects. It is important that decisions relating to our local Council Tax Support scheme are taken with these matters in mind. Although the PSED does not prevent councils from taking decisions which impact adversely on groups with 'protected characteristics', they must ensure that they are not impacted in a worse fashion than non-protected groups.

#### 5. Council Options

##### 5.1 **Option 1 – Do nothing and adopt 2018/19's LCTS scheme with no changes**

This would involve not passing on any cut in Single Formula Allocation grant on to LCTS recipients and therefore the 2019/20 LCTS scheme cost would remain approximately the same as the 2018/19 scheme. There are some variables affecting

this. The considerations are-

- i. any increase in the level of Council Tax will potentially increase expenditure on LCTS because the initial liability for Council Tax will be higher. An increase of 3% in the rate of Council Tax by all preceptors would increase LCTS scheme expenditure by c£196k per year. Although a reduction in LCTS caseload during 2018/19 has negated the inflationary effect of 2018/19's increase in Council Tax.
- ii. If this option is chosen, the difference between Government grants and the cost of the LCTS scheme will have to be covered by the preceptors. The current cost to Chelmsford City Council in 2018/19 of the shortfall between Government grant and LCTS scheme expenditure is £230k. An increase in LCTS scheme expenditure by £196k would increase the cost of the LCTS scheme to CCC to £255k, which would have to be found from budget savings or additional burdens on Council Tax payers. Essex County Council has confirmed its position that it is satisfied with the current LCTS scheme and would prefer that, if any changes are to be made, they reduce LCTS scheme expenditure while not affecting collection rates adversely.

## 5.2 **Option 2 – Make changes to the rules relating to the assessment of LCTS for working age applicants**

### **Technical changes proposed to 2019/20's LCTS scheme**

- Remove paragraphs 5 and 6 of Schedule 5 to avoid confusion with the clear intent in s1.7 that working age claimants cannot receive council tax support if their capital exceeds £6,000. There is no change in the cost of the LCTS scheme as a result of this.
- After section 19.4, insert section 19.A.1 to codify the treatment of the date that a change in earned income takes effect to mirror the approach in the housing benefit calculation. The wording of section 19.A.1 shall be: (1) A claimant's average weekly earnings from employment estimated pursuant to section 19 (Average weekly earnings of employed earners) and sections 25 and 26 (Earnings of employed earners and Calculation of net earnings of employed earners) shall be taken into account—
  - (a) in the case of a claim, on the date that the claim was made or treated as made and the first day of each benefit week thereafter, regardless of whether those earnings were actually received in that benefit week;
  - (b) in the case of a claim or award where the claimant commences employment, the first day of the benefit week following the date the claimant commences that employment, and the first day of each benefit week thereafter, regardless of whether those earnings were actually received in that benefit week; or
  - (c) in the case of a claim or award where the claimant's average weekly earnings from employment change, the first day of the benefit week following the date of the change, and the beginning of each benefit week thereafter, regardless of whether those earnings were actually received in that benefit week.
- In Schedule 5, add additional provisions to disregard as capital payments received in respect of the Manchester or London bombings, payments from infected blood schemes, thalidomide compensation and Bereavement Support payments. This change has the potential to increase the cost of the LCTS scheme but, to date, no such cases have arisen and it is anticipated that the

- effect in future years will be negligible.
- After section 29.A.1, add an additional provision to allow the Minimum Income Floor to apply at a lower rate for persons in receipt of certain disability benefits. New section 29 A.1.A to read: Where the self-employed person is in receipt of Carer's Allowance; Disability Living Allowance Care component paid at the higher rate; or, Personal Independence Payment Daily Living Component payable at the enhanced rate the 'appropriate amount' referred to in 29 A.1 shall be not less than 16 x the hourly minimum/living wage for an ordinarily employed worker. This change will increase the amount paid out by the LCTS

### 5.3 **Option 3 – Make changes to the minimum amount of Council Tax payable by working age households**

The consultation carried out does provide some feedback on the public's view of altering this fundamental aspect of the scheme. Cabinet would be able to alter this aspect if so minded.

## 6. Conclusion

- 6.1 Cabinet is required to choose an option for discussion and approval at a meeting of Full Council.

### List of appendices

Appendix 1 – Existing 2018/19 LCTS scheme rules (published with the agenda on the Council's website)

Appendix 2 – Detailed LCTS scheme finances

Appendix 3 – 2019/20 LCTS scheme Equality Impact Assessment (published with the agenda on the Council's website)

Appendix 4 – Consultation results so far (consultation ends 28/1/19)

### Background papers

Nil

## Appendix 2

### Local Council Tax Support Scheme Finances

#### 1. Scheme Finances

- 1.1 Part of the overall grant that the Government pays to billing authorities, like the Council, and precepting authorities, is a contribution towards the cost of the LCTS scheme. As these overall grants have been reducing each year, the assumption has been made that the LCTS grant has reduced at the same rate. In 2019/20, the assumed grant is £4,489,627, which is actually a slight increase on 2018/19. This is due to an increase in overall grants to the Police and to Chelmsford City Council itself announced in the Provisional Settlement. Table 1 below compares the assumed grant payable in 2018/19 and 2019/20 to the estimated LCTS scheme expenditure.

2018/19	£	£
2018/19 LCTS grant amount	4,841,760	
2018/19 estimated LCTS scheme expenditure	6,500,000	
2015/16 Shortfall between grant and expenditure	(1,658,240)	
2019/20 estimated		
Estimated 2019/20 LCTS grant amount		4,849,627
Estimated 2019/20 LCTS scheme expenditure (assuming no Council Tax increase or changes to the LCTS scheme)		6,500,000
Estimated shortfall between grant and expenditure in 2019/20		(1,650,373)

Table 1 – Estimated shortfall between assumed grant and LCTS scheme expenditure 2018/19 and 2019/20

- 1.2 The table shows that the current scheme expenditure would need to be reduced by £1,650,373 in order to balance with the assumed grant income in 2019/20. This shortfall will increase if Council Tax rates rise. If all preceptors increase their Council Tax by 2%, LCTS scheme expenditure will increase by 2% ie c£130,000. However, the increase in LCTS expenditure will vary if preceptors increase their Council Tax by differing amounts. Chelmsford's share of the Council Tax, including parishes, is c13.8%, so a 2% rise in Chelmsford's precept would only increase LCTS expenditure by  $£6,500,000 \times 13.8\% = £897,000 \times 2\% = £17,940$ . This is equivalent to a 0.276% increase in overall LCTS expenditure.
- 1.3 Chelmsford will face a budget pressure equivalent to 13.8% of the shortfall between 2019/20 grant and 2019/20 estimated expenditure if scheme expenditure is not reduced at all or is reduced in part. If scheme expenditure is not reduced at all, the budget pressure to Chelmsford is approximately £228,000. Essex County Council, which also represents the other preceptors Police and Fire, in LCTS scheme consultations has confirmed that it is not looking for scheme cost reductions in 2019/20 and would not wish to see scheme alterations which adversely affect overall collection rates. As the major preceptor, Essex bears 72% of any budget pressure.
- 1.4 It has not been possible to produce a matrix that can predict the effect of cuts in LCTS expenditure on Council Tax collection rates. Essex-wide exercises have shown little correlation between scheme structures and collection rates. However, a wider study of comparator authorities has shown that authorities with more generous LCTS schemes ie

those with no or very low (12.5% or less) minimum payment requirements achieve higher collection rates than the Essex authorities. The table below shows how Chelmsford's collection rates have fallen since the introduction of LCTS.

	In-year Council Tax collection rate
2012/13 – final year of national CTB scheme	98.5%
2013/14 – LCTS, all working age pay minimum 20%	98.1%
2014/15 – LCTS minimum increased to 23%	98%
2018/19 – LCTS minimum remains at 23%	97.6% (est)

Table 2 – In-year Council Tax collection rates

- 1.5 As at the end of December 2018, the in -year Council Tax collection rate is 84.3%, which is 0.4% lower than in December 2017. This is not necessarily indicative of year end outturns as the collection rate profile is altering as more people move to paying Council Tax over 12 monthly instalments or make arrangements to pay weekly amounts.
- 1.6 Working age recipients currently account for 51.5% of LCTS expenditure or £3,350,000 of the estimated £6,500,000. To reduce overall scheme expenditure by the estimated shortfall amount of £1.65m would require a 49% reduction in the assistance that working age recipients currently receive. To achieve this level of reduction, the minimum payment required from every working age person would have to be increased to 58% of Council Tax liability.

	Estimated 19/20 LCTS scheme expenditure	Reduction required to meet 19/20 assumed grant	Estimated 17/18 expenditure
Pensioners	3,150,000		3,150,000
Working Age	3,350,000	-1,650,000	1,700,000

Table 3 – Summary of distribution of LCTS expenditure between pensioner and working age households



## Chelmsford City Council Equality Analysis

This form enables an assessment of the impact a policy, strategy or activity on customers and employees.

A: Assessor Details	
<b>Name of policy / function(s):</b>	Local Council Tax Support Scheme 2019/20
<b>Officer(s) completing this assessment:</b>	Robert Hawes
<b>Date of assessment:</b>	15/1/19

B: Summary Details	
<b>Description of policy, strategy or activity and what it is aiming to do</b>	<p>This policy is required to continue the Local Council Tax Support scheme first introduced in April 2013. The Local Council Tax Support Scheme must be approved by Full Council every year, regardless of whether the scheme is to change or not. The 2019/20 Council Tax Support Scheme proposes to make minor technical changes to the existing scheme which will benefit disabled self-employed people and recipients of certain disability and terrorism-related capital payments.</p> <p>The policy aims:</p> <ul style="list-style-type: none"> <li>To achieve a fair and equitable scheme which helps financially vulnerable people to pay their Council Tax</li> <li>To maintain support for vulnerable people within constraints imposed by Government policy and funding, without detrimental effects on services to council tax payers or residents as a whole and while maintaining overall Council Tax collection rates at a high level.</li> </ul> <p>It affects:</p> <ul style="list-style-type: none"> <li>Those liable to pay Council Tax within the borough</li> <li>Adults on a low income with low savings</li> <li>Any public authority able to levy a charge as part of Council Tax</li> </ul>

### Chelmsford City Council Equality Analysis

	<input type="checkbox"/> new                      OR    ✓ existing ( <i>If existing, when was the last assessment?</i> 1/11/16) <input type="checkbox"/> internal                      OR    ✓ external (i.e. public-facing) <input type="checkbox"/> statutory                      OR    ✓ non-statutory (the part of the policy affecting pensioners is statutory, the part affecting working age people has a statutory basis but is amended at a local level)
Policy Owner (service)	Financial Services
<b>Scope:</b> Internal - Service/Directorate/Council wide External – specify community groups	External, affects anybody of working age making a claim for assistance with their Council Tax on the ground of having insufficient income or capital to meet their full liability

#### C: Assessment of impact

Using the information above, assess if the policy / function could potentially disproportionately impact on different protected groups. Specify if the potential impact is positive, could adversely impact or if there is no impact. If an adverse impact, indicate how the impact will be mitigated.

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
<b>Age</b> What will the impact be on different age groups such as younger or older people?		People under 25	People of pension age	It has been a long-standing principle of the welfare benefit legislation that people under the age of 25 receive less assistance than people aged 25 and over. The Council Tax Support Scheme has retained this principle.	None.

## Chelmsford City Council Equality Analysis

<b>Disability</b> Consider all disabilities such as hearing loss, dyslexia etc as well as access issues for wheelchair users where appropriate	Yes			Rule changes for 2019/20 are beneficial to some disabled self-employed people or recipients of payments from infected blood product or funds set up to assist victims of terrorist incidents	Self-employed disabled people in receipt of Universal Credit declaring very low income will be treated as receiving half the amount attributed to non-disabled self-employed people in the same situation. This may increase their entitlement.  Rules have been clarified to ensure that people receiving payments from various infected blood product schemes will continue to have those payments disregarded.  Rules have been added to disregard payments made to people as a result of the Westminster Bridge and Manchester terrorist attacks.
<b>Pregnancy and maternity</b> Pregnant women and new and breastfeeding Mums	Yes			Households with children	Chelmsford's local Council Tax Support scheme has not implemented Central Government rules regarding restricting the entitlements for households with more than two children.
<b>Marriage or Civil Partnership</b> Could this policy discriminate on the grounds of marriage or civil partnership			No impact		

## Chelmsford City Council Equality Analysis

<b>Sex</b> Is the service used by more than one gender and are the sexes given equal opportunity?			No impact		
<b>Gender reassignment</b> Is there an impact on people who are going through or who have completed Gender Reassignment?			No impact		
<b>Religion or belief</b> Includes not having religion or belief			No impact		
<b>Sexual Orientation</b> What is the impact on heterosexual, lesbian, gay or bisexual people?			No impact		
<b>Race</b> Includes ethnic or national origins		People with restrictions on their ability to reside in the UK and claim social security benefits		Entitlement to social security benefits of 'persons from abroad' are restricted by legislation.	No action can be taken locally, these rules are set by Central Government
<b>Are there any other groups who could find it difficult to access or make use of the policy / function?</b> For example: low income / people living in rural areas /			No impact		Entitlement is based on income and personal circumstances. Applications can be made online, in post or in person. Assistance is available to help complete applications. Language line is

# Chelmsford City Council Equality Analysis

single parents / carers and the cared for / past offenders / long- term unemployed / housebound / history of domestic abuse / people who don't speak English as a first language / people without computer access etc.					available.
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## Chelmsford City Council Equality Analysis

### D: Information used to analyse the effects on equality:

Please itemise available evidence, stating which protected groups are covered and when this evidence was gathered. You may attach copies or links to the data / research you are using.

1.	<p><b><u>Consultation/engagement</u></b>  <b>What consultation or engagement has been undertaken regarding this policy?</b>  <i>[If yes, please summarise what, when, who was involved and key findings]</i></p>	<p>Each time the policy is altered, a six week public consultation is carried out seeking views. The consultation is publicised on the Council's website and on social media. Key findings over the years are that there is general agreement with the principle of making all Council Tax payers pay something towards their liability. There is also agreement that the Council should have regard to Council Tax payers who do not need assistance, by not creating a support scheme which requires the Council to reduce services to the public in order to pay for the scheme.</p>
2.	<p><b><u>Data/Information</u></b>  <b>What relevant data or information is currently available about the customers and employees who may use this service or could be affected by this policy?</b>  <i>[For example: equality monitoring, surveys, demographic data, research, evidence about demand/ take-up/satisfaction etc].</i></p> <p><b>What additional information could be collected which would increase your understanding about the potential impact of the policy?</b>  <i>What involvement or consultation with affected groups is still needed?</i></p>	<p>The arrears position on Council Tax accounts is the best indicator of people who may benefit from this policy. Council Tax payers who miss instalments or contact us with payment difficulties are always made aware of the existence of potential financial support available through the scheme.</p> <p>After 5 years of policy operation, it is clear that it is not generous enough to assist everybody, but that lack must be balanced against the Council's financial ability to provide further assistance and still provide services to the wider public.</p>
3.	<p><b><i>For existing policies only:</i></b>  <b>What has changed since the last assessment?</b>  <i>[For example: evidence of public concern or complaints / new information has come to light / changes in service provision /</i></p>	<p>The major change is an assessment of the impact of imposing the 'minimum income floor' equally on self-employed people regardless of their ability to work. The minimum income floor is a rule whereby a self-employed person is deemed to have income at least equivalent to working 37 hours at the National Minimum Wage. It has become clear that an easement should be applied in respect of disabled people to acknowledge that it may not be reasonable to expect them to increase their working hours to a full-time level. The minimum income floor</p>

## Chelmsford City Council Equality Analysis

	<i>changes in service users etc]</i>	has been reduced to the equivalent of working 16 hours at National Minimum Wage in these cases.
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### E: Relevance to the Equality Duty Aims:

*Consider how the policy relates to the aims below (directly or indirectly), and if it could be adjusted to further meet these equality aims.*

1.	<b>To eliminate unlawful discrimination, harassment and victimisation</b>	<i>The policy has no engagement with these aims. It is aimed at assisting people to pay their Council Tax.</i>
2.	<b>To advance equality of opportunity between people who share a protected characteristic and those who do not</b> <i>[This means removing or minimising disadvantages, taking steps to meet needs of different people and encouraging participation. It can involve treating people better than others, e.g. disabled people].</i>	<i>The policy has retained a core social security principle of means-testing to offer extra assistance to people with children and disabilities. All other things being equal, a disabled person will receive more benefit than a non-disabled person with the same income. Disability benefits are ignored for the purposes of calculating entitlement, which leaves more residual income available to a disabled person than a non-disabled person. All other things being equal, a household with children will receive more benefit than a household with no children. As mothers are generally responsible for the care of children after a relationship breakdown, this benefits gender equality.</i>
3.	<b>To foster good relations between those who share a protected characteristic and those who do not. If so, how?</b> <i>[This means promoting understanding between different groups and tackling prejudice].</i>	<i>The policy has no engagement with this aim. Applications are made on an individual basis and there is no public comparison between the outcomes for people with protected characteristics and those without.</i>

## Chelmsford City Council Equality Analysis

F: Conclusion	
Decision:	Explanation:
<input type="checkbox"/> <b>Continue the policy with no changes</b> <i>[For example: evidence suggests no potential for discrimination / all opportunities have been taken to advance equality.]</i>	
<input checked="" type="checkbox"/> <b>Continue the policy with adjustments</b> <i>[For example: Low risk of negative impact / actions or adjustments would further improve positives or remove a potential negative impact.]</i>	<p>The existing policy has been in place, as amended, since April 2013. No significant negative impacts have been identified as arising from it in respect of those protected characteristics which are engaged by it – age, gender, disability and race, except those which are always present within social security legislation. The minor changes proposed for 2019/20 potentially improve outcomes for small numbers of disabled people.</p>
<input type="checkbox"/> <b>Adverse impact but continue</b> <i>[For example: Negative impact has been objectively justified.]</i>	
<input type="checkbox"/> <b>Suspend or withdraw the policy for further review / consideration of alternative proposals</b> <i>[For example: High risk of negative impact for any group / insufficient evidence / need to involve or consult with protected groups / negative impact which cannot be mitigated or justified / unlawful discrimination etc.]</i>	

**Approved by:**

Lead Officer / Responsible officer: .....Date: .....

Senior Manager: .....Date: .....



**Chelmsford City Council  
Equality Analysis**

*[Please save a copy and send one to Human Resources for publication on the website.]*

## APPENDIX 4 Chelmsford Local Council Tax Support (LCTS) consultation 2019/20

Consultation open 12 December 2018 to 18 February 2019

1. The Council is very keen that you have all the information you need to provide informed answers. The background to the consultation and information about the Council Tax Support scheme is available on the Council's website at: <http://www.chelmsford.gov.uk/consultations> This explains the scheme itself and also how the scheme is currently funded. Please confirm whether you have reviewed this information:

**I have reviewed the background information about the Council Tax Support scheme.**

		Response Total	Response Percent
Yes		4	100%
No		0	0%
Total Respondents		4	
(skipped this question)		50	

2. The original principle for Chelmsford's Council Tax Support scheme was that it was to be 'self-funding'. This means that it was to cost the same as the amount of Government grant that the Council and other bodies receive. However, ongoing reductions to Government grants have meant that, since 2016/17, the scheme has cost more than the grant we receive. This financial year the scheme is predicted to cost about £1.7m more than the grant that is received. Chelmsford City Council's share of that cost is about £230,000. As the amount of Council Tax collected each year and the arrears still being collected in respect of previous years has remained high, Chelmsford is proposing that it will not reduce the amount of help that the scheme gives. A completely 'self-funding' scheme would mean removing all help for people who are not in receipt of Income Support, Jobseeker's Allowance or Employment Support Allowance. People in receipt of those benefits would be expected to pay at least 60% of their Council Tax rather than the 23% they are now asked to pay.

**Do you think that the Council should design a scheme which is self-funding? Please select one answer only**

		Response Total	Response Percent
Yes		0	0%
No		3	100%
Total Respondents		3	
(skipped this question)		51	

3. If the Council continues to provide the current level of support, it will need to find additional funding from other sources. Paying for this could mean increasing Council Tax; reducing services; using reserves (Savings); or, a combination of these three things.

**Do you think we should do any of the things in the table below to help fund the scheme? Please select one answer for each source of funding**

	Yes	No	Response Total	
Increase the level of Council Tax	80% (4)	20% (1)	5	
Use the Council's reserves	60% (3)	40% (2)	5	
Reduce funding available for other Council Services	40% (2)	60% (3)	5	
<b>Total Respondents</b>			<b>5</b>	
			(skipped this question)	49



4. **If the Council continues to partly or fully fund the scheme how do you think it should pay for it? Please rank in order of preference (1, 2, or 3), where 1 is the option you like most and 3 the option you like least:**

	1	2	3	Response Total	
Increase the level of Council Tax	57.1% (4)	28.57% (2)	14.29% (1)	7	
Use the Council's reserves	28.57% (2)	57.14% (4)	14.29% (1)	7	
Reduce funding available for other Council Services	14.29% (1)	14.29% (1)	71.43% (5)	7	
<b>Total Respondents</b>				<b>7</b>	
				(skipped this question)	47

5. **Please use the space below to make any other comments you may have about how the Council should fund the scheme:**

1. Introduce fines for non-participation in kerbside recycling and increase fines for fly-tipping	
2. The scheme enables those whose circumstances have changed to continue to survive - it needs to be maintained to help the vulnerable in society	

6. **Do you agree with the principle of every working age person having to make a payment towards their Council Tax? (One answer only)**

		Response Total	Response Percent
Yes		4	80%
No		1	20%
Don't know		0	0%
<b>Total Respondents</b>		<b>5</b>	
		(skipped this question)	49

**7. If you do agree, what level of minimum payment do you think should be applied?  
We currently ask working age people to pay at least 23% of their full Council Tax bill**

		Response Total	Response Percent
25%	<div></div>	1	25%
30%		0	0%
35%	<div></div>	1	25%
More than 35%		0	0%
Don't know		0	0%
Other, please specify	<div>23%, 35%</div>	2	50%
<b>Total Respondents</b>		<b>4</b>	
(skipped this question)			50

**8. Do you think we should reduce the minimum payment from 23%?**

		Response Total	Response Percent
Yes	<div></div>	1	20%
No	<div></div>	4	80%
Don't know		0	0%
<b>Total Respondents</b>		<b>5</b>	
(skipped this question)			49

**9. Comments**

1.	I believe if a person is happy to receive the benefit, they should be happy to contribute towards it for others and for the continuation of services for everyone in the city.	
2.	Council Tax is the single largest monthly expense (excluding rent) for a lot of people and maintaining the scheme is honestly a lifeline between allowing heating and food to be purchased or not	

**Changes the Council is proposing to make:**

**10. Change 1 – altering the minimum income floor for disabled people and people with caring responsibilities**

Where a self-employed person declares a very low income from self-employment, the Council assumes that they actually have an income which is the same as working for 35 hours at the national minimum wage. We are proposing to reduce this assumed income to 16 hours at the national minimum wage for self-employed people who also receive any of the following benefits: Carer's Allowance, Disability Living Allowance Care component (higher rate), Personal Independence Payment Daily Living Component (payable at the enhanced rate). This change takes account of the fact that people receiving these benefits

are often less able to increase the number of hours that they work.

**Do you think that the Council should make the change described above?**

		Response Total	Response Percent
Yes		7	100%
No		0	0%
Don't know		0	0%
<b>Total Respondents</b>		<b>7</b>	
(skipped this question)			47

### **11. Change 2 – disregarding certain payments from the calculation of capital**

We are proposing to ignore the value of any payments from the following sources when working out how much capital an applicant has: London Emergencies Trust; We Love Manchester Emergency Fund; Infected Blood Schemes; Thalidomide Health Grant; and, Bereavement Support.

**Do you think that the Council should make the change described above?**

		Response Total	Response Percent
Yes		6	86%
No		0	0%
Don't know		1	14%
<b>Total Respondents</b>		<b>7</b>	
(skipped this question)			47

### **12. Change 3 – bringing the treatment of the date that changes of earned income are taken into account in line with the rules in Housing Benefit**

The Council is intending to add more detail to the rules regarding the date that a change in earned income is taken into account. The new wording exactly mirrors the wording in the Housing Benefit Regulations and will help maintain consistency of approach across both benefits. It will not actually change the way that we have been treating changes of earned income in LCTS, but it will make it clearer where there is a dispute.

**Do you think that the Council should make the change described above?**

		Response Total	Response Percent
Yes		6	86%
No		1	14%
Don't know		0	0%
<b>Total Respondents</b>		<b>7</b>	
(skipped this question)			47

### **13. Change 4 – correcting a drafting error regarding capital limits**

The Council is intending to remove a contradiction within its scheme rules. Section 1.7 of the scheme is very clear that people with savings greater than £6,000 will not be entitled to Local Council Tax Support. However, due to a drafting error in Schedule 5 (capital to be disregarded), wording has remained which says that people receiving income based jobseekers' allowance, or income-related employment support allowance will have their capital disregarded. This contradicts the stated intention of the scheme in section 1.7 and is clearly an oversight. The Council proposes to remove paragraphs 5 and 6 from Schedule 5.

**Do you think that the Council should make the change described above?**

		<b>Response Total</b>	<b>Response Percent</b>
Yes		<b>7</b>	<b>100%</b>
No		<b>0</b>	<b>0%</b>
Don't know		<b>0</b>	<b>0%</b>
<b>Total Respondents</b>		<b>7</b>	
(skipped this question)			47

### **14. If you have any further comments to make regarding the Council Tax Support scheme please use the space below:**

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We ask these questions:

1. To find out if different groups of people in the Council's population have been able to take part in the consultation and identify if any groups have been excluded. This means it is not about you as an individual but to find out if people with similar characteristics have had their say.
2. To find out if different groups of people feel differently about the options and proposals in comparison to each other and all respondents. This means it is not about you as an individual but to find out if people with similar characteristics have answered in the same way or not.

**This information is completely confidential and anonymous.** Your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses

15. Are you, or someone in your household, getting a Council Tax Reduction at this time?

		Response Total	Response Percent
Yes		1	20%
No		4	80%
Don't know		0	0%
<b>Total Respondents</b>			<b>5</b>
(skipped this question)			49

16. Are you...?

		Response Total	Response Percent
Male		2	40%
Female		3	60%
Prefer not to say		0	0%
<b>Total Respondents</b>			<b>5</b>
(skipped this question)			49

17. Age

		Response Total	Response Percent
18 - 24		0	0%
25 - 34		0	0%
35 - 44		0	0%
45 - 54		4	80%
55 - 64		1	20%
65 - 74		0	0%
75 - 84		0	0%
85+		0	0%
Prefer not to say		0	0%
<b>Total Respondents</b>			<b>5</b>
(skipped this question)			49

18. Do you consider yourself to have a physical impairment?

		Response Total	Response Percent
Yes		1	20%
No		4	80%
Not Sure		0	0%
Prefer no to say		0	0%
<b>Total Respondents</b>			<b>5</b>
(skipped this question)			49

19. Do you consider yourself to have a sensory impairment?

		Response Total	Response Percent
Yes		0	0%
No		5	100%
Not sure		0	0%

Prefer not to say		0	0%
<b>Total Respondents</b>		<b>5</b>	
(skipped this question)		49	

20. Do you consider yourself to have a learning difficulty or disability?

		Response Total	Response Percent
Yes		0	0%
No		5	100%
Not sure		0	0%
Prefer not to say		0	0%
<b>Total Respondents</b>		<b>5</b>	
(skipped this question)		49	

21. Do you consider yourself to have any mental health needs?

		Response Total	Response Percent
Yes		1	20%
No		4	80%
Not sure		0	0%
Prefer not to say		0	0%
<b>Total Respondents</b>		<b>5</b>	
(skipped this question)		49	

22. Ethnic Origin: What is your ethnic group?

		Response Total	Response Percent
White British		5	100%
White Irish		0	0%
White Other		0	0%
Gypsy / Roma		0	0%
Traveller of Irish Heritage		0	0%
Black or Black British African		0	0%
Black or Black British Caribbean		0	0%
Mixed White / Black African		0	0%
Mixed White /		0	0%



Black Caribbean			
Black Other		0	0%
Asian or Asian British Pakistani		0	0%
Asian or Asian British Indian		0	0%
Asian or Asian British Other		0	0%
Mixed White / Asian		0	0%
Asian Other		0	0%
Chinese		0	0%
Mixed Other		0	0%
Not Known		0	0%
Prefer not to say		0	0%
Other, please specify		0	0%
<b>Total Respondents</b>		<b>5</b>	
(skipped this question)			49

23. What is the first part of your postcode? (e.g., CM1)

<b>CM2, CM2, CM2, CM1</b>	<b>Total Respondents</b>	<b>4</b>
(skipped this question)		50

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**COUNCIL TAX – CHANGES TO CHARGES AND DISCOUNTS  
FOR EMPTY PROPERTIES**

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1. On 29 January 2019 the Cabinet considered the attached report on the discretionary powers of the Council to alter the discounts and premia in respect of the Council Tax levied on empty properties. It resolved as follows:

**“RECOMMENDED TO THE COUNCIL that:**

1. an Empty Homes premium as specified in section 11B of the Local Government Finance Act 1992, as amended, be levied on dwellings which have been unoccupied and substantially unfurnished for more than two years immediately before the day in question (i.e. “long term empty dwellings”), the charge to be 200% of the Council Tax that would be payable if the dwelling was occupied by two adults and no discounts were applicable; and
2. the current 100% discount applied for properties left empty for up to three months be left unchanged due to: the punitive effect on taxpayers who are renovating or refurbishing properties prior to occupying them; the small additional income that it would generate; and the disproportionate administrative effort involved in explaining and collecting those debts.”

2. **RECOMMENDED TO THE COUNCIL**

That the recommendations of the Cabinet on changes to the Council Tax levied on empty properties in the city be approved.

**CABINET**  
**29 January 2019**

**AGENDA ITEM**

<b>Subject</b>	COUNCIL TAX - CHANGES TO CHARGES AND DISCOUNTS FOR EMPTY PROPERTIES
<b>Report by</b>	CABINET MEMBER FOR FINANCE

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

**Purpose**

To propose the use of new legislative powers to increase Council Tax charges in respect of long term empty properties.

To consider amending existing discretionary powers in respect of discounts for short term empty properties.

**Options**

1. To increase the Council Tax premium charged on properties which have been empty for 2 years or more from 50% up to a maximum of 100% from 1 April 2019
2. To amend the 100% discount on Council Tax, which is applied to empty properties for a maximum of three months, to a shorter period from 1 April 2019.

**Recommendation**

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

It is recommended that the current 100% discount applied for properties left empty for up to three months is left unchanged due to: the punitive effect on taxpayers who are renovating or refurbishing properties prior to occupying them; the small additional income that it would generate; and, the disproportionate administrative effort involved in explaining and collecting those debts.

<b>Corporate Implications</b>	
Legal:	Under Section 11B of the Local Government Finance Act 1992 the Council has discretion to determine that a higher amount of Council Tax is payable for long-term empty dwellings. This section has been amended by the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 whereby the maximum higher amount is increased on 1 April 2019 and subsequently. This report invites the Cabinet to exercise its discretion to increase the higher amount payable in Chelmsford to the maximum prescribed by law.
Financial:	Both of the potential options will increase the amount of Council Tax billed. Collection of the increased amounts billed will not necessarily follow on a pound for pound basis. It may be that increasing the number of empty homes brought back into use will paradoxically reduce Council Tax income as fewer premiums are charged.
Personnel:	There will potentially be additional pressure on Recovery and Customer Service teams.
Risk Management:	None.
Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out?)	No
Health and Safety:	None
IT:	None
Other:	

<b>Consultees</b>	Director of Financial Services, Director of Corporate Services, Legal and Democratic Services Manager,
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### **Policies and Strategies**

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

Revenues Hardship Policy

### **Corporate Plan Strategic Themes**

The report relates to the following strategic theme/themes in the Corporate Plan

Attracting investment and delivering infrastructure	<input type="checkbox"/>
Facilitating suitable housing for local needs	<input type="checkbox"/>
Providing high quality public spaces	<input type="checkbox"/>
Promoting a more sustainable environment	<input type="checkbox"/>
Promoting healthier and more active lives	<input type="checkbox"/>
Enhancing participation in cultural activities	<input type="checkbox"/>

## 1. Background

- 1.1 At the meeting of Full Council on 23 January 2013, Council decided that it would make use of new discretionary powers to alter discounts and premia which can be awarded or levied in respect of empty properties. An additional charge of 50% was levied on residential properties which have been empty for two years or more, making the tax payer liable for 150% of the normal Council Tax charge. At the same time, the discount given in respect of empty and unfurnished properties was reduced in scope. Chelmsford currently offers a 100% discount on Council Tax, i.e. no charge is levied, for the first three months after a property becomes empty and unfurnished.
- 1.2 These changes were made to encourage owners to bring long term empty properties back into use whilst not penalising owners of properties which are temporarily empty. Properties are empty for a myriad of reasons, for example, a gap between tenancies, awaiting renovation or refurbishment prior to occupation, or complications following a purchase.

## 2. Introduction

- 2.1 On 1 November 2018, the Rating (Property in Common) and Council Tax (Empty Dwellings) Act 2018 received Royal Assent. This Act amended s11B of the Local Government Finance Act 1992 and allows councils to increase the additional premium which can be charged on long term empty properties.
- 2.2 From 1 April 2019, the maximum premium can be increased to 100% on properties empty for two years or more, meaning that liable persons would pay double the normal Council Tax.

From 1 April 2020, the maximum premium can be increased to 100% on properties empty for more than two years but fewer than five years. A premium of up to 200% can be imposed on properties empty for more than five years, making the maximum charge three times the usual Council Tax.

From 1 April 2021, the maximum premium on properties empty for more than 10 years can be increased to 300%.

## 3 Long Term Empty Premium

- 3.1 In 2018/19, the Long Term Empty Premium is currently being applied in Chelmsford to 118 properties. The additional Council Tax liability created is approximately £95k, of which Chelmsford's share is about £12k, assuming 100% collection. The rest is distributed to the other preceptors as part of the Collection Fund process.
- 3.2 In October 2013, the first year of operation of the amended Long Term Empty Premium, 102 properties were subject to the additional 50% premium. The rise of 12.7% in the number of properties subject to a premium outstrips the 5.3% rise in the total number of properties in the area, so it is arguable that the additional premium is not proving a sufficient incentive to bring empty properties back into occupation.
- 3.3 If the Long Term Empty Premium were to be increased to 100% from 1 April 2019 and assuming both that the number of properties subject to the premium stays the same and a Council Tax increase of 5% (being the average across all preceptors), we might expect the additional Council Tax liability to increase to £203k. Chelmsford's share of this would be approximately £26k, an increase of £14k.

- 3.4 The figures given above are necessarily estimates. Collection of Council Tax in respect of unoccupied property tends to be lower because of the difficulties in tracing owners and enforcing collection of the debt. In addition, the increase in Council Tax liability may lead to an increase in avoidance tactics or it may result in more empty properties being brought back into use.

#### 4 Hardship and Discretion

- 4.1 Any decision to reduce or remove the discounts on empty property needs to take into account local circumstances. Any change in policy would mean that the Council could increase the hardship of those taxpayers who are already struggling or unable to sell a second property. There is a risk that specific personal requests for assistance may increase and could result in direct cost to the City Council (Section 13A hardship relief policy). A report in 2006 by the Local Government Ombudsman stated that, after deciding to remove or change the level of discount, a council must still give proper consideration to individual taxpayers' requests that the reduction should not apply to them, having regard to their circumstances. A copy of the Council's hardship policy is attached at Appendix A.
- 4.2 Central Government produced guidance in 2013 stating that the discretion to introduce a premium should not be interpreted as a desire to penalise owners of property that is genuinely on the housing market for sale or rent. It suggested that billing authorities may want to take into account the health of their local housing market and average prices charged for particular types of properties before taking the decision to impose a premium. However, the guidance stressed that the final decision on any conditions to be imposed rests with the billing authority. Chelmsford decided in 2013 not to apply any specified exceptions but to rely on the judicious application of its powers to remit all or part of a Council Tax bill as described in paragraph 4.1. Further guidance has been promised in advance of the ability to impose escalating premiums with effect from April 2020, so councillors may wish to consider these before deciding upon their approach beyond the 2019/20 financial year.

#### 5 Empty Property Discounts

- 5.1 As described in paragraph 1.1, Chelmsford currently allows 100% discount on a property which is empty and unfurnished for a maximum of 3 months and which does not fall into any other exempt category, for example, properties empty awaiting probate or normally occupied by a member of the armed forces. However, this discount does also cover properties which are uninhabitable and awaiting major repair or renovation, which can take longer to resolve.
- 5.2 When considering the level of discount to be set and the length of time it was to apply, the Council had the following aims in mind:
- To allow a reasonable but not excessive exemption to support standard 'voids' between tenancies
  - To encourage faster turnaround on empty homes
  - To reduce the number of long term empties
- 5.3 In 2018/19, approximately £660k has been granted in discounts in respect of properties empty for fewer than three months. This can be broken down further: £250k has been granted in respect of c7,000 accounts where the property has been empty for up to one month  
£225k has been granted in respect of c1,500 accounts where the property has been empty between one and two months  
£185k has been granted in respect of 900 accounts where the property has been empty between two and three months

- 5.4 Councillors may wish to consider reducing the amount of time for which discounts are granted in respect of properties which become empty. It is difficult to estimate the additional Council Tax income that such a decision might create as there is no standard formula to determine for how long a property will be empty. However, reducing the discount period to two months might increase Council Tax liabilities by a maximum of £60k (one third of the £185k discount granted to properties empty for up to three months). The additional benefit to Chelmsford would be approximately £8k and would adversely affect around 900 taxpayers. In reality, the additional Council Tax generated would be less than £60k, because not all properties are empty for the maximum three months.

## 6 Conclusion

- 6.1 Increasing the Long Term Empty Premium in respect of properties empty for more than two years to 100% with effect from 1 April 2019 is a proportionate approach to the problem of empty properties, especially given the pressure on housing in Chelmsford. It is hoped that increasing the cost of leaving a property empty long term will encourage owners to bring properties back into occupation. If it does not, then the additional Council Tax levied will help to mitigate the issues that empty properties can create.
- 6.2 Reducing the length of time that a discount is awarded when a property first becomes empty would generate relatively little additional income for Chelmsford, while creating a significant administrative burden. Many empty periods are created when a property is 'void' between tenancies. These void periods allow landlords time to refresh the property or, on occasion, remedy major damage or refurbish. Not only would the Council potentially be creating many more smaller debts, with attendant collection difficulties, it may prove a disincentive to landlords.

## Appendices

Appendix A – Guidelines for determining a Council Tax Reduction

## Background Papers

None

## Appendix A

### **Guidelines for Determining Applications for a Council Tax Reduction**

1. Section 13A of the Local Government Finance Act 1992 allows the council to reduce the amount of Council Tax payable. This power can be used for individual cases or class(es) of cases that it may determine.
2. The council will consider using its powers to reduce Council Tax liability for any Council Tax payer. The council would expect there to be exceptional circumstances to justify any reduction and the reduction will be intended as short term assistance. It should not be considered as a way of reducing council tax liability indefinitely.
3. Claims for a discretionary reduction must:
  - ☐ ☐ be made in writing by the taxpayer or by someone authorised to act on their behalf
  - ☐ ☐ Be supported by any reasonable evidence which the council requires in support of the application.
4. Separate claims must be made in respect of different dwellings and/or council tax accounts.
5. Each case will be considered on its merits. The council will have regard to the following criteria in particular in relation to an application:
  - ☐ ☐ There must be evidence of financial hardship or personal circumstances which justify a reduction in council tax
  - ☐ ☐ The taxpayer must satisfy the council that they have taken all reasonable steps to resolve their situation prior to the claim
  - ☐ ☐ The taxpayer must have claimed council tax support where appropriate and supplied any information or evidence requested by the Benefits section in respect of that application
  - ☐ ☐ The taxpayer must have applied for any appropriate discount or exemption and supplied any information or evidence requested by the council tax section in respect of that application
  - ☐ ☐ The taxpayer does not have access to other assets which could be used to pay the council tax
  - ☐ ☐ The situation and reason for the application must be outside of the taxpayer's control
  - ☐ ☐ The situation cannot be resolved by some other legitimate means
  - ☐ ☐ The amount outstanding must not be the result of wilful refusal or culpable neglect to pay
  - ☐ ☐ The council's finances allow for a reduction to be made and it is reasonable to do so in the light of the impact on other Council Tax payers
6. The length of time any reduction will apply will be for a maximum period of one year.
7. The Director of Finance will determine all applications
8. The council will notify a customer of its decision within 14 days of receiving all the information needed to make the decision.
9. There is no right of appeal under the Local Government Finance Act 1992 against the council's use of its discretionary powers. However, the council will accept a written request for a review of its decision if it is supported by further information or evidence.



## THE COUNCIL'S REVENUE BUDGET 2019/20 – REVIEW OF THE BUDGET AND THE LEVEL OF RESERVES AND BALANCES

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### 1. **Introduction**

- 1.1 The Revenue and Capital budgets together with the planned level of Balances are considered in the reports that follow this item and, prior to their approval or amendment, Members are required to seek the views of the Chief Financial Officer regarding the robustness of the budget and the adequacy of reserves.
- 1.2 The Local Government Act 2003 Section 25 includes a specific personal duty on the Chief Financial Officer (CFO) to make a report to the authority when it is considering its budget and Council Tax for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act 'reserves' include 'general balances'). The Act requires the Council to have regard to the report in making its decisions.
- 1.3 Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty'.
- 1.4 Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.
- 1.5 There are also a range of safeguards in place to ensure local authorities do not overcommit themselves financially. These include:
  - The CFO's S.114 powers, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget
  - The Prudential Code, which has applied to capital financing since 2004/05
- 1.6 These safeguards are further reinforced through detailed scrutiny by the Council's external auditors, which includes the requirement to form a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. In addition, the external auditors review the underlying assumptions used to support material estimates within the Council's financial statements, such as valuations of property assets and pension liabilities.

- 1.7 This report aims to provide an analysis of the budget together with the risks faced by the Council in the short to medium-term. The aim is to provide Members with an objective view of the Council's financial position together with the external factors that should be considered when determining the budget.
- 1.8 **Appendix A** sets out the key factors which I have considered when assessing the robustness of the Budget. Assumptions that have been made in producing the budget are contained within the risk assessment in **Appendix B** and **Appendix C** provides greater detail on the level of balances held and their purpose.

## **2. Background to the Council's Finances**

### **Central Government Funding**

- 2.1 Local Government funding has altered dramatically over the past decade with Councils seeking to become increasingly self-reliant as Government funding reduces or becomes more uncertain. Many Councils have looked to be more commercial in their approach, developing new income streams and delivering ever-greater efficiencies in order to produce balanced budgets, with the sector as a whole responding well to these significant challenges. However, as can be seen by events at authorities such as Northamptonshire County Council, these pressures are unsustainable without sound financial management, robust budgeting, and sufficient levels of reserves to withstand shocks to the overall funding position of the authority.

According to the Local Government Association, by 2020, local authorities will have faced a reduction to core funding from the Government of nearly £16 billion over the preceding decade. That means that councils will have lost 60p out of every £1 the Government had provided to spend on local services in the last 8 years.

In 2013/14, the methodology for the distribution of income from Business Rates was fundamentally reformed, bringing both additional complexity and a transfer of risk from central to local government. Instead of receiving an annual grant from Business Rates, local authorities now receive a 50% share of total business rates income (40% Districts, 9% County Councils and 1% Fire and Rescue Authorities). In addition, they are allowed to retain a proportion of growth (for Chelmsford, 50%) above a pre-determined baseline with the system also having a safety net of 92.5% of that baseline, below which its income from business rates is protected. In addition, local government suffers the volatility created by the appeals system, where appeals against valuations may take a number of years to wind through the system, resulting in large refunds stretching back over the life of a ratings list. The Council is obliged to make significant provisions for the potential refund of successful appeals, distorting the level of business rates income estimated in each year. The budget for 2019/20 assumes £176k of Business Rates income is used to support ongoing revenue budgets.

This Business Rates Retention system is set to change again in 2020/21 in an attempt to both simplify the system and transfer a larger proportion of business rates (75%) to the sector, replacing other forms of funding such as Revenue Support grant. In addition, the Fair Funding Review aims to bring in a new methodology for determining the relative needs of each local authority, which has the potential to create a major redistributive effect across the sector. The Funding review will determine how much funding is required by each authority in comparison to others and is likely to be based on a simplified formula, taking into account key drivers such as population, an adjustment for local cost pressures (area cost adjustment) and the amount of resources able to be raised locally through Council Tax and possibly parking income.

Both of these major changes to funding mechanisms are the subject of lengthy consultation papers to which officers will have responded by the appropriate deadlines. Further consultation on scheme detail is inevitable, given the myriad decisions still to be made, which include for example, how often the system should be reset to provide new baselines for growth, how the resources should be split within 2-tier areas, whether other cost drivers or local resources should affect funding levels, and many more. Without detailed modelling being available for how the final models will work, it becomes increasingly difficult to estimate future funding levels from central government. And with the short time period left in which to finalise and introduce these models, by 2020/21, it is likely that uncertainty will remain even after implementation, as the actual models are put into practice and the detailed accounting mechanisms are developed.

Furthermore, it should be noted that all of this is happening at the time of a new central government Spending Review Period, which it is expected will be announced later in 2019. In 2016/17, the Council, along with the majority of local government, accepted a multi-year funding settlement spanning 2016/17 to 2019/20, to provide certainty over its central funding during the period. The Council has therefore been able to carry out its financial planning over this 4 -year period, with a reasonable certainty of its baseline position. The final year of the Settlement period however, initially contained further reductions to funding, in terms of an additional tariff on its business rates income, which became known as negative Revenue Support Grant. The Government responded to lobbying on this issue and in the final settlement, have removed this additional funding cut from affected Councils and have borne the cost centrally. This has improved the Council's funding position by £980,000 for 2019/20, alongside some other additional funding returned to local government that had previously been held back to support the complex business rates retention mechanism.

Moving into a new Spending Review period and without any confirmation that the Government will again provide a multi-year Settlement, it is more important than ever that the Council has a robust budget process in place and adequate reserves to support a financially sustainable position.

New Homes Bonus has been another source of uncertainty for the Council, due to consultations on changing the mechanisms for awarding this funding which aims to reward those Councils who promote growth. In recent years, the scheme has been modified to reduce the number of years each year's bonus is paid for, and to introduce a baseline for national growth below which, no bonus is paid. The Government confirmed alongside the Local Government Finance Settlement that this baseline would remain unchanged for the coming year. Within the budget, the council has removed any reliance on New Homes Bonus for funding on-going service expenditure and is able to set aside this bonus to support further investment in Chelmsford.

Additional complications arise from the UK's plans to exit the European Union. While the Council is monitoring the potential effect on its budget through its business continuity arrangements and risk management processes, wider issues of delays and complications in the legislative timetable for central Government could have a knock-on effect for the sector.

## **2.2 Council Tax**

Council Tax is a local tax which when introduced enabled Local Authorities to determine what they wanted to spend on the delivery of services and the electorate were left to determine whether this was acceptable or not. The introduction of referendum criteria effectively restricts any Council Tax increase in 2019/20 to a maximum increase of up to 3% or £5, whichever is the greater.

The amount of Council Tax to be collected, is also dependent on the tax base i.e. the number of dwellings liable for payment of Council Tax after allowing for discounts and Local Council Tax Support. The Council continues to see growth of around 1,000 dwellings per annum.

### 2.3 **Discretionary Income**

The third and arguably most important strand of our income is that generated from our discretionary services. As Council finances have become squeezed due to reductions in Government support many Councils have become more commercial in their approach to income. Chelmsford has for a number of years looked at opportunities to maximise income and now collects approximately £32m in discretionary income, including rents. Whilst this has a tremendously positive bearing on the budget there are risks associated with our reliance on income which are discussed later in the report.

In addition, the Government has begun to look more closely at the commercialism agenda in local government and in particular at the use of borrowing public funds to finance the purchase of investment property. This is due to a small number of authorities borrowing significant sums for this purpose, with one /council borrowing almost £1bn for property acquisitions. This has resulted in a raft of new guidance from the government and the Chartered Institute for Public Finance and Accountancy (CIPFA), to which the Council has responded, as demonstrated under the Capital and Investment Strategy elsewhere on the Council's agenda. The risk moving forward, is that if some Council's continue to embark on this strategy in a way that may be seen as high-risk activity, the Government may impose further restrictions which could then affect the sector's ability to support the provision of services through sound investment choices.

## 3. **Budget Process 2019/20**

- 3.1 The Council's approach to the budget has been adjusted each year to reflect the changing shape of Local Government finance and the Council has adopted a flexible approach to its budget setting. As in previous years, a review has taken place to identify any underutilisation of budgets or excess income for three consecutive years which could then be removed. However, no material items have been identified.

As with last year Directorates were not given efficiency targets but Directors worked together to identify areas where further efficiencies could be delivered, or additional income secured.

- 3.2 For the purpose of this report attention is drawn to the following:

- (i) As with the budget process for 2018/19 there was a continuation of discussions with Directors and several iterations of a draft budget have been presented to the Management Team for consideration. While there have been some further material shortfalls emerging due mainly to commercial arrangements and the current economic climate, unusually Central Government funding did increase for 2019/20 as described earlier in the report, with the removal of the negative revenue support grant. Details of the largest pressures faced within the budget are outlined below. The identification and inclusion of these has been an important part of the process in order to ensure that the financial estimates are robust.
- (ii) Whilst the budget for 2019/20 is sufficiently robust it remains likely that pressures on Local Authority finances will continue to increase. The improved funding position due to the removal of negative revenue support grant, while welcome, is not certain to continue

in the future and the effects of the new 75% Business Rates Retention Scheme, the Fair Funding Review and the forthcoming Spending Review are, as yet, unquantifiable. Due to uncertainty at a national level it is important for the Council to maintain its balances having taken into account planned usage.

- (iii) Over a number of years changes in Government funding have made the Council more reliant on its discretionary income. The Council has been very successful in attracting new sources of income and making its assets work for it. The current level of income at over £32m does however make the Council more susceptible to budget pressures in the event of a major recession as residents cut back on their discretionary spend. Therefore, whilst this has offered major support to the budget it should be noted that the Council is very reliant on this income.

#### **4. Earmarked Reserves and General Balances**

- 4.1 The current best estimate of reserves and balances at 31 March 2020 is shown in Appendix 3 of the Revenue Estimates 2019/20 report.
- 4.2 The earmarked reserves (i.e. everything except the General Balance and Contingency) are intended to be used for specific purposes over a period of time of more than a single financial year. Earmarked reserves are there to meet expenditure commitments but also to protect the Council against specific financial risks. This is a factor to be taken into account when assessing the adequacy of the totality of balances and reserves and the level of the General Balance. The level of earmarked reserves held is reducing as we draw nearer to the completion of the redevelopment of the Riverside Ice and Leisure facility.
- 4.3 The appropriate level of reserves that should be held by an authority continues to be debated however this is a matter for each Council to determine. In response to the crisis faced at Northamptonshire and the continued pressures on local government finances, Cipfa are currently developing a financial management code alongside a financial resilience index, to support Councils in ensuring their financial sustainability and to provide an early warning of potential financial failure. Reference to this suite of tools will be made in future reports and considered when developing the Council's budget, to provide further assurance to Members on the soundness of the Council's financial position.
- 4.4 As set out in the main budget reports, the Council continues to set aside reserves in order to replace essential equipment (Asset Replacement Reserve) and proposes to set aside all of its New Homes Bonus to support local infrastructure and development (Chelmsford Development Reserve), which in turn delays the necessity for the Council to borrow to fund Capital expenditure, should sufficient capital receipts not be forthcoming in the future.
- 4.5 Whilst it is not possible to identify all future need, the Council has, where appropriate set aside money for certain issues that are known in order to avoid having to make significant cuts in any one year to meet such costs. This approach forms the basis of each of the Council's earmarked reserves detailed in Appendix 3 of the Revenue Estimates 2019/20 report. It is of course possible to reduce reserves and revert to a "pay as you go" approach but this is not recommended given the unpredictable nature of Local Government Finance and our reliance on a number of income sources.
- 4.6 It is important for the Council to maintain strong balances to safeguard against financial risks. Each of the earmarked reserves has been established to cover anticipated pressures and, where appropriate, further reserves will be developed.

- 4.7 The balances shown at 31 March 2019 are the estimated final position for 2018/19, adjusted by the contributions proposed in the budget and forecast use of the reserves.
- 4.8 The planned General Balance is projected to be £3.1m at the end of 2019/20 which represents 5.8% of revenue expenditure, excluding Benefit payments and I suggest that the Council keeps this reserve around £2.5m to £3.5m. The balance on the General Fund provides protection to meet the unknown risks the Council faces. Additionally, the General Fund Balance is being used to fund one off expenditure and any temporary reductions in income. It is important for future sustainability that the General Fund Balance is not used to fund on-going commitments within the budget but instead provides this essential buffer against sudden shocks to the system.
- 4.9 The Contingency reserve has been maintained and is available to manage known, but as yet unquantifiable risks surrounding long term Government support for Housing Benefits, the localisation of Business Rates, the changes to Council Tax Support, the mechanics of the New Homes Bonus, increasing cost of Temporary accommodation, the Digital Strategy and the continued pressure that is likely to be applied to reduce Central Government Funding. The scale of each of these will remain uncertain over the next few years.
- 4.10 The General Fund Balance and Contingency Reserve represent some £6.1m, this should be seen in the context of risks facing the Council including:
- the need to reduce costs or find income to meet the Council's projected £2.2m budget shortfall in the period to 2024.
  - the high levels of income from rents, fees and charges which are in excess of £32m for 2019/20. Economic events could put significant amounts of that income at risk over the next few years.
  - demand pressures arising from homelessness and the new Homelessness Reduction Act duties.
  - the Riverside Development will deliver additional revenue resources but inevitably in the first few years there is more risk of shortfalls against expected income .
  - the transfer of Business rate risk and functions from Government to local authorities

## **5. Summary and Conclusion**

- 5.1 In 2019/20 we will see a continued squeeze on public sector finances. Whilst this will prove to be a challenge, the Council has robust balances that will afford it time to prepare for any further reduction in resources.
- 5.2 When assessing the overall robustness of the budget and the adequacy of the reserves the key issues discussed in Appendix B, whilst not an exhaustive list of the financial risks faced by the authority, are felt to be those most likely to lead to significant pressures on budgets during the next financial year.

### **List of Appendices**

Appendix A - Factors to be considered when assessing the robustness of the Budget  
Appendix B – Key Issues  
Appendix C – General Fund and Earmarked Reserves

### **Background Papers 'Nil'**

### **Factors to be considered when assessing the robustness of the Budget**

In developing the budget for the Council, it is important to undertake an assessment of the key factors faced to enable the Authority to demonstrate that the reserves and estimates are sufficiently robust. Some guidance was provided in 2003 on the sort of issues that should be considered.

The following sets out the formal context relating to this together with a description demonstrating the Council's position against each key criterion. In addition, other significant risk areas have also been identified and are shown as other factors considered.

**(i) Local Government Act 2003**

The Local Government Act does not provide any specific guidance on how to evaluate the robustness of the estimates. The explanatory notes to the Act do however stress that decisions on the appropriate level of reserves should not be based on a rule of thumb but on an assessment of all the circumstances considered likely to affect the authority. In addition, reference is also made to the CIPFA guidance on reserves and balances.

**(ii) CIPFA Guidance Note on Local Authority Reserves and Balances**

The Chartered Institute of Public Finance and Accountancy (CIPFA) states that the following factors should be taken into account when the CFO considers the overall level of reserves and balances:

- i. Inflationary pressures;
- ii. Capital receipts and Interest;
- iii. Treatment of demand led pressures;
- iv. Treatment of savings;
- v. Risks inherent in any new partnerships, etc;
- vi. Financial standing of the authority (level of borrowing, debt outstanding etc);
- vii. The authority's track record in budget management (including the robustness of medium-term plans);
- viii. The authority's capacity to manage in-year budget pressures;
- ix. The authority's virements and year-end procedures in relation to under- and overspends;
- x. The adequacy of insurance arrangements.

**(iii) Extraordinary issues considered by CCC in the budget process for 2019/20 include:**

- xi Discretionary Income
- xii Grant reductions
- xiii Welfare reform and Homelessness
- xiv Localised Business Rates
- xv New Homes Bonus
- xvi Digital Strategy
- xvii Riverside Redevelopment

The above issues are discussed in more detail in Appendix B.

**Key Issues considered by the Director of Financial Services when evaluating the robustness of the estimates and the adequacy of the proposed financial reserves and balances**

**(i) Inflationary pressures**

When the planning guidelines for 2019/20 were set early in 2018/19, an assessment was made at that time of the likely level of inflation that would occur next year. The current level of inflation together with cuts in Government grant requires the Council to absorb much of this inflationary pressure both in terms of cost increases and income shortfalls.

Pay inflation of 2% has been included in the budget alongside changes which aim to future proof the organisation by reflecting continuing increases in the minimum wage and providing competitive salaries to improve recruitment and retention. Budgets have been uplifted for inflationary pressure on utilities and Business Rates however it is assumed that all other inflationary pressure will be absorbed by services. It has been assumed that the average yield from additional fees and charges will be 2.0%.

**(ii) Capital Receipts and Interest**

Interest rates reached an historic low of 0.25% in April 2016 following a period of seven years at 0.5%. Subsequent increases in the Base Rate have been marginal, with the rate currently standing at 0.75%. However, rates received on lending have fallen further as the banks have been provided with even cheaper borrowing by the Bank of England. This has significantly impacted on the income earned by the Authority on its investments. There are currently no indications that this situation will alter significantly over the next year.

The sale of capital assets can have an impact on both the revenue and capital budgets. The proceeds from asset sales are used to fund capital expenditure but whilst unspent generate interest, so capital receipts received later than planned can have a detrimental effect on both revenue and capital.

Whilst the Council continues to plan the sales of assets to generate capital receipts to support its capital programme, timing differences between the sale and purchase of assets can lead to the council needing to borrow in the short-term. The Council has undertaken some internal borrowing during 2018/19 following the purchase of an investment asset, which affords a return to the revenue account, in the form of rental income. The purchase was undertaken ahead of the sale of other assets so insufficient capital receipts were available at the time to fund the purchase. This timing difference has been met by using other cash balances in the short-term. However, this has a knock-on effect for the 2019/20 budget as the Council is obliged to make a Minimum Revenue Provision (MRP) in the years following such a purchase in order to make provision for the repayment of the internal debt. This provision is only required in 2019/20 as capital receipts are expected thereafter. The council has no external borrowing and therefore no interest payments are included in the budget plans.

The Council's revenue budget does however, continue to rely on interest earnings of some £540k pa. The Council's Treasury Strategy elsewhere on this agenda has been developed with the aim of maximising interest earnings once sufficient consideration has been given to the security and liquidity of its investments. The Council has been successful in maintaining its interest receipts, despite low yields on liquid funds, through its investment in the higher earning CCLA property fund, which whilst relatively illiquid, in other words it is difficult to exit the investment quickly, does only represent a small proportion of our cash



on deposit. As the Fund invests in good quality properties the risk of failure and subsequent loss of funds is estimated to be relatively small. This investment returns £300k per annum in contrast to a traditional investment which would yield approximately £55k per annum. The Treasury Strategy for 2019/20 allows for a further investment in other pooled Funds after sufficient due diligence is undertaken by the Treasury Management sub-Committee.

**(iii) Treatment of Demand Led Pressures**

Where appropriate, budgets have been increased to reflect known and anticipated expenditure pressures, which have been identified as the budget process has evolved. In addition to expenditure pressures the budget has been adjusted where the demand for our services has reduced giving rise to a reduction in our income. A key area of expenditure pressure relates to the rise in demand for temporary accommodation. The transformation of the Council's Housing Service is well underway and is already seeing a reduction in the numbers in temporary accommodation. The current focus for the service is to complete the recruitment of the remaining vacant posts under the new structure, continue the implementation of new responsibilities under the Homelessness Reduction Act and embed new policies and procedures.

The rollout of Universal Credit has the potential to lead to rising pressures in the Housing Service. A new Task and Finish Group will report to the Overview and Scrutiny panel on the effects of Universal Credit locally to ensure the Council is doing what it can to mitigate any adverse effect on residents.

**(iv) Treatment of Savings**

A large proportion of the savings required to balance the 2019/20 budget have been met through changes in government funding (removal of negative RSG and additional Flexible Homelessness Support Grant). The remainder has been found through efficiencies identified from previous outturn positions, together with significant additional income from the purchase of commercial property towards the end of 2108/19. These are shown in a summarised form in the Revenue Estimates report Appendix 1 elsewhere on the agenda.

**(v) Risks inherent in Partnerships etc**

The Authority has few formal partnership arrangements in place. The most notable of these are the Local Enterprise Partnership, Local Strategic Partnership and the South Essex Parking Partnership (SEPP). These are important to the Council, however only the SEPP poses any potential financial risk, and this is currently mitigated against through the use of regular revenue monitoring and, in the case of the SEPP, ensuring that a suitable working balance is held. Whilst this is important to the Council it does not expose the Council to significant financial risks. Other arrangements concerning joint working typically either relate to a contractual arrangement or one in which the Council provides a grant to an organisation and therefore the financial risks associated with these are minimal.

**(vi) Financial standing of the Authority (level of borrowing, debt outstanding etc)**

The Authority currently has no external borrowing but as described earlier in the report, has made use of internal borrowing to bridge the timing difference between the production of capital receipts from the sale of assets in 2019/20 and the purchase of a commercial property investment during 2018/19. This situation will be kept under review to ensure that the Authority is fully aware of the implications of any of its future decisions on its borrowing position. The Council's strategy in relation to borrowing is set out in the Treasury Management Strategy and is referred to again in the Capital and investment Strategy, a key new document for the Council, prescribed under new Cipfa guidance.

The asset replacement reserve is being strengthened over the next few years to enable the Council to fund the majority of future replacement assets from revenue rather than relying on borrowing or one-off capital receipts, however this will be drawn down to meet the cost of replacement assets during the year.

(vii) **The Authority's track record in budget management, including its ability to manage in-year budget pressures and the robustness of the medium-term plans**

Regular budgetary control reports have been produced for all budget holders during 2018/19 and this will continue during 2019/20.

The Council has a regular cycle of budget monitoring reporting to Cabinet Members, the Audit Committee and Management Team

The Authority has a medium-term financial forecast that attempts to identify all significant budget pressures. However, the use of earmarked reserves and the contingency enable the Authority to manage in-year budget pressures should they arise.

The Authority has a good track record in identifying and delivering the savings required to produce a balanced budget.

(viii) **The Authority's virements and year-end procedures in relation to under- and overspends**

The Authority's virement procedures are set out in detail in Financial Rules although in summary allow for:

- movement of existing budget between subjective or service areas of £50,000 by officers in consultation with Cabinet members
- approval of new additional budget of up to £50,000 by officers in consultation with Members
- Approvals over £50,000 to be given by Cabinet or Council as appropriate.

If a Directorate underspends on its control budget at the year-end it is permitted to carry forward up to a maximum of £50,000 to be reviewed at year end. These limits may be reviewed in the Medium-Term Financial Strategy presented to Cabinet in July, if appropriate and then on to Council for formal approval.

(ix) **The adequacy of Insurance Arrangements**

The budget allows for the estimated outstanding claims under the excess clauses of the Council's insurance policies. This provision was initially established following an Actuarial review of the Insurances of the Authority and further reviews have been undertaken to determine the appropriate level of the reserve for future financial years.

(x) **Discretionary Income**

Discretionary income is extremely important to the City Council and this Authority receives approximately £32m per annum. As the Council becomes more reliant on such income, its income budgets have become vulnerable to changes in consumer choice and future

economic downturns with examples being Trade Waste, Recycling income, Leisure income and Car Parking.

Property Rentals – A large proportion of the income from Property rentals comes from High Chelmer. The budget has been adjusted based on anticipated lettings and the improvements made to the shopping centre which have included toilet facilities and the new restaurant quarter. These improvements have ensured that income yields for the future are sustainable and voids are kept to a minimum. However, in times of economic stress, incentives such as rent-free periods are essential to attract new retailers as units become vacant, which may cause fluctuations in the annual budgeted income. This is another example of the importance of carrying a sufficient contingency reserve to manage such movements.

(xi) **VAT Partial Exemption**

The Council still needs to carefully monitor its VAT Partial Exemption position (a dispensation allowing the Council to recover materially all its VAT from Government) when undertaking new initiatives. If the Council were to breach the exemption levels and the Inland Revenue were to charge the Council, the costs are likely to be in the order of £170k.

The undertaking of the redevelopment of the Riverside Pool Complex will create a breach of the Council's partial exemption, however the HMRC have granted a waiver to this breach. This would allow the partial exemption to be breached but without cost to the Council. This waiver is normally the position granted to Councils undertaking large one-off projects where an ongoing breach of the partial exemption is not created.

Any major expenditure on services making VAT exempt supplies will be closely monitored to understand the potential implications on the Partial Exemption calculation. This will be of particular relevance to future planned expenditure on new cremation facilities.

(xii) **Grant Reductions**

The Government have continued to reduce the Council's funding in line with their stated intention to remove all Revenue Support Grant which at one time was the principle source of funding for Local Authorities. Future funding levels are uncertain due to entering a new Spending Review period in 2020/21, Fair Funding Review and reform of the Business Rates Retention Scheme but further reductions are likely. Such reductions cannot be met from any additional income generated from Council Tax and therefore will need to be funded from continued efficiencies, additional income or reductions in Services.

xiii) **Welfare Reform and Homelessness**

The introduction in recent years of a number of Welfare Reforms (e.g. Benefit Cap, Social Sector Size Criteria) created a demand for Discretionary Housing Payments to prevent homelessness. The Council previously topped up the level of support provided by the Government to ensure sufficient monies were available to support some of our most vulnerable residents. However, in recent years the demand for DHPs has not exceeded the government provision and therefore the budget has been reset in line with demand. This will continue to be reviewed as the roll out of Universal Credit progresses.

(xiv) **Localisation of Business Rates**

The main impact for the City Council has been an increase in financial risk due to the volatility of income. The outstanding appeals held by the Valuation Office Agency have a

significant detrimental impact on the Council. The Council has begun to benefit from growth in business rates, however the potential for a reset of the system in 2020/21 could see this benefit lost as new baselines are calculated for every Authority. Any growth above the revised baseline may then also only be realised for a limited period, depending on the frequency of resets within the system and whether they are full or partial resets.

(xv) **New Homes Bonus (NHB)**

This is additional income that an authority can gain from each new property built in its Borough, with the aim of incentivising growth. The payment is based on the number of net additional properties as reported to Government in statistical returns in October of the preceding year, hence there is a time lag before new development is rewarded. Payments are based on the national Band D average Council Tax level with District Councils receiving 80% of the reward and County Councils 20%. Additional payments are made for any reduction in the number of long-term empty properties reported and for the net number of affordable housing units delivered.

In 2017/18, the Government scaled back the number of years for which the bonus is paid and introduced a national growth threshold below which no bonus is payable. This significantly reduced the income receivable under the system. Consultation has taken place over further reforms to the system but have not yet been implemented. Additionally, the growth threshold was maintained at 0.4% for 2019/20 which was a beneficial outcome given initial expectations that this could rise significantly. For 2019/20, the Council has removed all reliance on NHB from its Revenue budget and instead will place it in reserves to support Capital spending.

(xvi) **Digital Strategy**

The Council's Digital Strategy has already delivered much of the foundations to enable future efficiencies in service delivery, mobile working and customer contact and the budget includes expenditure already approved for the programme. As with any major technological change there are significant risks associated with such a programme as new technology and ways of working are developed and implemented. Work now needs to be done on the future direction and costs of the programme, beyond 2019/20, and on ensuring that the potential benefits are realised.

(xvii) **Riverside redevelopment**

This scheme represents the largest single scheme to be undertaken by the City Council and will provide an exciting new facility worthy of the City. The budget has been developed assuming an annual revenue increase of £505k per annum as set out by the consultants employed to produce the initial business case. In addition, short-term loss of income has been assumed from the Centre and associated car parking during the development phase of the project. If parking levels are reduced on a permanent basis the impact of this will need to be built into the budget.

Whilst the costs and income projections in the budget have been assessed and best estimates taken there is inherent risk in new sources of income and the delivery of savings from new projects. In the next section of my report on our reserves and balances it is due to these uncertainties that I would recommend that we continue to maintain reasonable levels of reserves.

## General Fund and Earmarked Reserves

The Reserves held by the Council are either “General” in that they can be used for any purpose and help to guard against unforeseen budget pressures or “earmarked” which means that they are held for a particular purpose. We further classify reserves as those in support of Revenue expenditure and those in support of Capital. The following provides a short commentary on each of the major reserves. If the level of balances were to materially reduce this would ultimately affect our ability to balance future budgets without having to make reactive budget cuts. Earmarked reserves will be drawn down as appropriate in 2019/20.

### (i) General Fund Balance

The underlying strategy adopted with the General Fund Balance is to keep it in the order of £2.5m to £3.5m. The Authority continues to face uncertain times and therefore, if any of our income sources were to reduce or our costs increase significantly, this reserve would provide temporary support and allow time to develop a strategy to deal with such pressures. The fund has been used to meet one-off expenditure or income shortfalls which is an appropriate use however, it should not be used to meet on-going expenditure as it is a finite resource. The estimated balance on the fund at the end of 2019/20 is £3.1m.

### (ii) Asset Replacement Reserve

As a business, it is prudent to set money aside to meet the cost of the future replacement of assets such as vehicles or IT. The Council has been able to top up its capital receipts from the sale of assets in order to avoid the need to borrow, which would create additional pressures on the revenue account in terms of interest payable and provision for the repayment of debt (MRP). In the short-term, the council has undertaken some internal borrowing due to the timing difference between sale and acquisition of certain assets in the latter part of 2018/19. The Asset Replacement Reserve supports the Council in meeting the:

- cost of replacing equipment necessary to maintain services
- revenue costs of large Capital Schemes without having to reduce the General Fund Balance; and
- costs of the capital programme without the need to borrow externally in the medium-term.

The Asset Replacement Reserve will be drawn down in 2019/20 to meet the cost of replacement assets. A contribution of £1.7m will be added back into this reserve in 2019/20, with contributions increasing by £0.150m thereafter to support on-going sustainability of services by ensuring they have the assets required to deliver those services, both now and in the future.

### (iii) Contingency

The Contingency reserve is estimated to stand at around £3m by the end of 2019/20. The Reserve is intended to cover known but unquantifiable risks and support the Council budget in times such as now - a low interest rate environment. Some £175k is to be used in 2019/20 to support the revenue budget. The most significant risks arise from the Business Rate Retention Scheme, even with the existence of the safety net provided by

Government, it is possible due to the complexity of the scheme to have to draw large sums from reserves.

(iv) **Insurance Fund**

The Insurance Fund is an amount set aside to meet the anticipated costs of claims incurred. The level of the reserve is based on the Council's level of self-insurance together with claims experience. The Council made a saving on its last insurance tender which included a re-assessment of the level of excess (self- insurance undertaken). The Insurance reserve reflects those changes. In 2019/20, an additional £0.2m will be transferred to the Insurance Reserve from Business Rates income. As the Insurance Reserve covers known identifiable estimated claims it should be recognised that the General Balance has to cover unknown and unquantifiable claims.

(v) **Pension Cost Reserve**

This reserve will be drawn down every three years to meet the cost of 3 years deficiency on the Pension Fund resulting in a saving of approximately £300k. Annual contributions will then be made to this reserve to enable the Council to consider the same course of action in 2020.

(vi) **Local Development Framework**

This reserve is held to allow for the maintenance of the Local Development Framework and will be drawn down as required. The Government withdrew future support in this area as Planning Delivery Grant was one of the funding sources cut by the Government in June 2010. It has therefore been the practice at this Council to maintain this reserve to fund Local Development work by transfers from underspends or fortuitous income as circumstances allow. An additional sum of £500k is to be transferred to the reserve in order to complete the development of the Local Plan.

(vii) **Chelmsford Development Reserve**

The City has ambitious plans for its future and therefore it is important to set money aside in order to deliver these. This reserve is currently being used to fund the development of the new Leisure complex at Riverside. The Chelmsford Development Reserve is funded through one off windfall income such as VAT reclaims, asset sales and the New Homes Bonus. It is anticipated that the majority of this reserve will be utilised in 2019/20 upon completion of the Riverside project.

(viii) **Other Reserves**

A range of smaller reserves exist to meet minor projects, and these will be reviewed during 2019/20 to determine whether they are still required or if they can be put to an alternative use.

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## REVENUE ESTIMATES FOR 2019/20

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### Background

1. Each year Cabinet is required to make a proposal to Council to agree an Original budget for the next financial year. This report contains the recommendations of Cabinet for a budget for 2019/20.
2. The budget proposals from Cabinet have since been amended under delegation to allow for:
  - Submission of a statutory estimate (NDR1) for Business Rate Retention Income. Details are in paragraph 8(iv), but in summary a reduction in estimated income in 2019/20 of £178k compared to the Cabinet report which reduces the transfer to Business Rate Retention Reserve by the same amount. The change has no impact on the Council's funding of the 2019/20 service budgets.
  - The Local Government Funding Settlement was unchanged except for new grant for Brexit preparation costs of £35k of which £17.5k is receivable in 2019/20, this has been reflected in Service budgets with a neutralising transfer to the contingency reserve. The use of the grant during 2019/20 be determined under the financial delegation processes set out in the constitution.
3. The budget recommendations set out in the report have been compiled using the “budget approach and guidelines” contained in the July Medium Term Financial Strategy Council report.
4. The Council, in common with all other Local Authorities, has faced significant revenue budget pressures for a number of years but through the work of Members and Officers has been able to produce robust budgets whilst ensuring that balances remain buoyant. It is important to highlight a number of actions which have materially contributed to this strong financial position and to emphasise the need to ensure that the budget and finances are sustainable in the medium term:
  - Directors continue to review their services and budgets to release efficiencies and identify new income streams to meet both corporate objectives and forecast budget shortfalls.
  - The Council continues to bid for external funding and uses any funds to deliver corporate objectives.
  - The Council works with partners at every opportunity to deliver efficiencies.
  - Reserves are used to fund capital expenditure, one off loss of income and manage risk.
  - Capital resources are used to achieve revenue budget savings by undertaking schemes that produce additional income or reduce running costs.
  - Schemes within the Capital programme and replacement programme are reviewed and spend prioritised.
  - Property assets continue to be reviewed to release surplus assets, to achieve value for money and to examine options to acquire new assets that deliver additional financial and service benefits

- 5 The Medium Term Financial Strategy (MTFS) reported to July 2018 Cabinet, identified a budget shortfall of £1.35m for 2019/20; since then the 2019/20 Budget has been balanced and completed. The variances of 2019/20 compared to 2018/19 Original Budget are shown in **Appendix 1**; the main issues are discussed below in sections 7 to 19.
- 6 The Council budget is only partially financed by charges levied for services and Government funding. The use of Reserves and Council tax is used to fund expenditure is discussed in sections 20 to 22.

**7 Government Funding (final)**

The Council's main Government revenue streams are often referred to as Formula grant or Settlement Funding Assessment. The Council accepted a 4-year funding settlement from Government which ends after 2019/20. The Council has now been provided with a final settlement for 2019/20. Below is a table showing how the last two years of the 4-year settlement is broken down:

Funding Streams	2018/19 £ms	2019/20 (4-year settlement) £ms	2019/20 (current Government proposal) £ms
1) Revenue Support Grant	Nil	-£0.98m	Nil
2) Baseline business rate retention	£3.28m	£3.35m	£3.35m
3) One off Levy Adjustment	Nil	Nil	£0.05m
4) Sec 31 Grants	£0.075m	£0.10m	£0.11m
<b>TOTAL</b>	<b>£3.355m</b>	<b>£2.47m</b>	<b>£3.51m</b>

- i. Revenue Support Grant (RSG) - a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG given to each authority is determined by a needs assessment which includes estimates of local resources such as council tax, population and other local data. The needs assessment also provides an amount of baseline business rate funding to be retained by an authority. In 2018/19 the Council lost all of its Revenue Support Grant but retained some 'baseline' business rate funding. The government had proposed as part of its four-year settlement a reduction in Government funding to some Local Authorities in 2019/20, including those with no RSG. This was referred to as "negative revenue support grant"; it was in fact an additional tariff on business rate income. Chelmsford's grant reduction for 2019/20 would have been £0.98m, which after lobbying the Government has for now reversed.
- ii. Business Rates – In reality the City Council retains only a small share (around 4%) of the Business rates collected locally based on a Government formula used to determine the level of local resources. The baseline funding position is



calculated on our historic business rates collection, adjusted by a 'tariff' payment. A local authority must pay a tariff if its individual authority business rates share is greater than its assessed baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business share. The City Council must pay a tariff of £27m and is able to retain Baseline Funding of £3.35m in 2019/20 of the Business Rate it collects.

- iii. In 2019/20 a one off £51k grant has been allocated by Government. This arises from the complex working of the Business Rate Retention scheme whereby Government holds back some funding to provide a safety net for authorities whose share of Business Rate income falls below their Baseline Funding by more than a set amount. The unused proportion of the funding has been returned to local authorities.
- iv. The complexity of the Business Retention scheme has led to grants being paid to local authorities for Government initiatives such as not increasing business rates in line with inflation. These grants are 'Sec 31 Grant' which provide a total of £109k for 2019/20 (an additional £41k).
- v. The Secretary of State for Housing, Communities and Local Government announced on the 28<sup>th</sup> January that Local Authorities would be provided with funding for Brexit preparations. All Districts will initially receive £35k split into £17.5k in 2018/19 and £17.5k in 2019/20. The funds will be transferred into the Contingency Reserve and use of the grant will be determined under normal financial delegations. The budget papers have been updated to reflect the 2019/20 allocation.

8 Retained Business Rate Growth (Above Baseline Funding)

- i. Should Business Rate income be higher than assumed by Government then the authority is able to retain a share of this 'gain' (it pays the Government a levy on the gain) or if the income from Business rates is lower than assumed then the Council pays a share of the loss. The losses are capped by a safety net set by government at £0.25m for Chelmsford. The scheme runs over multiple years, so gains or losses may materialise up to two years after they have occurred. The Council's budget reflects the substance of the transactions by separating income received from the scheme into:
  - o Probable Funding: officers believe is sufficiently certain to fund expenditure or show as transfer into useable reserves.
  - o Unconfirmed: These are projections of in year and next year activity from collecting business rates, which are considered high risk, but under regulations must be included in the budget. These projections are highly volatile and distorted by regulatory accounting entries that create timing differences between when income is shown in the accounts and when it is achieved. The gains or losses are transferred into the Business Rate Retention Scheme Reserve and are deemed not available to fund Council Expenditure in 2019/20.
- ii. Chelmsford for 2019/20 has entered a Business Rate Pool. Under the business rate retention scheme local authorities can come together on a voluntary basis to pool their business rates receipts and then agree collectively how these will be distributed between pool members. Pooling provides the opportunity to keep a greater share of business rates growth which otherwise would be paid to Government as a 'Levy'. However, the protection each authority receives is less

in the event of losses, so in the event of the pool having an overall reduction in Business Rate Income against the Baseline set by Government an authority could share a higher burden than that they would have outside a pool. The income from the pool is difficult to project as it relies upon the approach taken by other authorities as well as Chelmsford. The City Council has entered into a pool agreement with most Essex Councils, however each Council has the option to terminate the pool by giving notice before the middle of January 2019. The budget assumes the projected gains (£0.8m) from the pool are included into the transfer into the Business Rate Reserve and are not available to fund expenditure in 2019/20 at this time.

- iii. 75% Business Rate Retention Pilots. In 2019/20 authorities were offered the chance to not only pool their business rate income but also to bid to become a 75% Business Rate Retention Pilot area. This would enable 'winners' to increase the share of any growth in business rate income retained locally to 75%, but also bear a larger share of business rate income reduction locally. An Essex pilot bid was made but unfortunately was unsuccessful and officers will be seeking feedback from Government as to why it was not successful.
- iv. While additional Business Rate Retention income is expected in 2019/20 much of this cannot be considered as ongoing beyond 2019/20. The budget in this report includes some £3.266m (in January Cabinet report this was £3.444m) of Business Rate Retention Income above the £3.3m baseline, this has been calculated in line with statutory methods. However, of this additional income some £2.648m (£2.827m in January Cabinet report) of gains are not considered to be sufficiently certain to be used to support revenue expenditure and so are transferred into the Business Rate Retention scheme reserve in the short term until they can be confirmed in 2019/20. The balance of income, some £0.618m is sufficiently certain to be included in estimates so: £0.176m will be used to support revenue expenditure in 2019/20, some £0.231m added to the Insurance Reserve and £0.211m added to the Chelmsford Development Reserve. The 2019/20 reduction in estimated income between that reported in the January Cabinet report and February Council report is due to income (£154k) moving from 2019/20 into 2018/19 as result of the how the complex scheme works. The higher income in 2018/19 is reflected in the Revenue Reserves (**Appendix 3**) though a higher estimated opening balance in 2019/20 compared to the January Cabinet report.

## 9 New Homes Bonus (NHB)

This is a grant paid by central government to local authorities. It rewards local councils for each additional home added to the council tax base, including newly built properties and conversions as well as long term empty properties brought back into use, after allowing for certain deductions such as demolitions. Each allocation of NHB awarded for growth in a particular year was originally paid for 6 years, this has now been reduced to 4 years. The scheme now requires a Council to achieve housing growth above a national average before any NHB is paid. In practice:

- The Council's budget only reflects allocations that have been awarded up to and including 2019/20
- The Council will receive £3.8m in 2019/20 of which £0.9m is a new allocation payable for 4 years from 2019/20.
- The NHB is used in the Council budget to provide funding for major capital schemes.
- The Council's revenue budget in 2018/19 used £0.176m to support annual expenditure, this reduced to nil in 2019/20.

- The NHB for 2019/20 set aside for capital expenditure (£3.8m) is proposed to be transferred to the Chelmsford Development Reserve to assist in funding the approved capital programme.

10 Government Funding Beyond 2019/20

The Government has initiated a number of consultations on the methods of allocating Government funding to local authorities for periods from 2020/21 onwards. There are currently two major consultations currently taking place:

- I. A review of local authorities relative needs and resources. The Government's funding to local government is in principle allocated based on an assessment of each authorities needs and self-generated resources. The Government has stated the consultation proposes to simplify the assessment of local authorities' relative needs, considers the type of adjustment that will be made to an authority's relative needs assessment to take account of the relative resources available to them to fund local services and proposes a set of principles that will be used to design potential transitional arrangements and examines how the baseline for the purposes of transition should be established".
- II. Business Rates Retention Reform - The Government is aiming to enable Local Government sector to retain 75% of Business rate collected by 2020. The Government has stated it believes that the current system of business rate retention is too complex, and it is not clear if it encourages local authorities to grow their Business Rate Tax-base effectively. The proposals are intended to resolve these issues.

The consultations closes on 21<sup>st</sup> February and results are not expected to be published until late 2019. Officers will respond robustly to the consultations, to put forward Chelmsford's best case. However, given the current funding trends the likely outcome is going to be reductions in income, mostly likely to arise from:

- The proposal to allocate a negative revenue support of £1m to Chelmsford was withdrawn, it did reflect the existing relative needs and resources formula allocations and seems likely that any new formula to allocate funding will at least include some of this reduction to Chelmsford's funding.
- The Government has asked for views on how surpluses from on and off-street Car Parking income could be allowed for in determining the amount of local resources authorities can generate. The more local resources an authority has the less Government funding is provided. Given Chelmsford's position as a regional shopping centre its car parking income is likely to be more significant than many Councils and the City could lose funding as a result.
- Resetting business rate retention baseline. The Government believes that the system requires resetting in order to ensure that the distribution of resource remains aligned with need. If the system is reset too frequently, then the growth incentive may be weakened, and local authorities may be discouraged from building achieved growth into their base budgets or using growth for long-term investment. However, resetting too infrequently could mean that relative need grows faster than local tax resource. This resetting causes a significant problem for the 2019/20 Council budget as the Council does have growth in its business rates as demonstrated by the forecast gains (£3.266m) but it is unclear after the reset how much of the gain the Council will be able to keep. It makes it imprudent to fund a significant level of ongoing expenditure from Business Rate Retention growth. Additionally, forecasting funding for budgets beyond 2019/20 is a matter of educated guess work.

- Reforming Business Rate Retention Scheme. There are many possible amendments that could be made to the current scheme including changing the relative share between District and County local authorities i.e. the tier split.
- Government Spending Review. The prioritisation of Health and Social care could potentially result in less funds for other services (e.g. District Councils) when the Government sets out its Spending plans late in 2019.

11 2019/20 Budget Changes

**Pension Costs**

The Council is obliged by statute to offer its employees membership of the Local Government Pension Scheme (administered in Essex by Essex County Council). The scheme changed from a Final Salary to a career average in 2014/15. The scheme offers members a defined benefit funded by employee and employer contributions. Every three years an actuarial valuation of the fund takes place which determines a current contribution rate for the Council as an employer and a deficiency payment to make good any historic shortfall in the assets of the fund versus the cost of current and future pensions.

The Council's pension deficiency payment for the 3-year valuation period from April 2017 to 31<sup>st</sup> March 2020 could have been paid by instalments or as a single payment in April. Officers sought approval in the 2017/18 budget to make one payment for the 3-year valuation in April 2017 at a cost of £4.1m which saved £300k compared to making annual instalments. The cost was funded from the Pension Reserve and annual contributions (£1.4m) will be made to replenish the reserve to fund deficiency payments due in the 2020-2023 actuarial valuation period.

**Cost Inflation and Pay**

The Council experiences cost inflation on the supplies and services it purchases. The budget only allows for increases on Pay, Business rates and Energy. This means in real terms service budgets decrease in 2019/20. This reduction in real terms is difficult to quantify as each service purchases different supplies and services and therefore experiences different inflation.

A proposed pay award of 2% has been built into the budget alongside changes which aim to future proof the organisation by reflecting continuing increases in the minimum wage and providing competitive salaries to improve recruitment and retention. The Council is required to consult with Unison before implementing changes to staffing pay and conditions. It is therefore proposed to hold discussion with Unison and the Director of Corporate Services be authorised to agree the pay award for 2019/20 within the budget provided, after consultation with the Leader of the Council.

12 Income

**Rental Income**

The Council has a strategy for acquiring property/sites that are key for enabling economic improvements within the Council's geographic area and may provide an income stream to support the Council's objectives. The 2019/20 budget includes the consequences of the acquisition in December 2018 of a property asset (£8.8m) which will produce a rental income of some £0.73m per annum. Offsetting the gain is a reduction of income from planned disposals at Lockside where the Council is creating a single disposal from a

number of sites. The net impact of property income is a gain of £0.47m in 2019/20. The Capital & Investment Strategy elsewhere on the agenda identifies the income the Council receives in total from similar properties and gives a background to the extent that Council expenditure is supported by property income.

#### **Flexible Homelessness Grant**

The Council has invested significantly in its Housing Service in order to meet the demands of new legislation (Homeless Reduction Act) and to improve the outcomes from the service for its users. A flexible homelessness support grant introduced in April 2017 replaced the Department for Work and Pensions' temporary accommodation management fee, now provides annual funding of £653k for 2019/20 (£407k initially allocated in 2017/18) an improvement of £246k. The grant funding supports the investment already made in the Council's budget, as between 2017/18 and 2019/20 the Council's annual budget for Homelessness services has increased by £400k.

#### **Fees and Charges Inflation**

The Council's sales, fees and charges and other income generate nearly £30m per annum, significantly more than Council Tax and Government formula grant combined. The Council has discretion to set an increase annually on most of these charges (some are set by Government e.g. planning charges). Annual increases are necessary due to falling Government grant and cost pressures that the Council experiences. The Council set the rate of increase at an average of 2.0% for 2019/20 in the Medium-Term Financial Strategy Report (July 2018 Council). However:

- A two-year pricing strategy for Car Parking was approved in September 2017.
- Cemetery and Crematorium Charges (see **Appendix 4**) are proposed to rise by more than 2%.

#### **Council Tax Discount Sharing**

A number of years ago the Council negotiated with other Essex District Councils an agreement to receive a share of Essex County Council's annual increase in Council Tax income. The share was calculated using changes in the value of Council Tax discounts that residents receive. This encouraged District Councils to ensure that discounts were only given when due. Without the sharing of some of the Essex County Council gain then collecting these discounts/debts may not be cost effective for the District Council, as in Chelmsford's case it only receives some 11% of the Council Tax billed. Essex County Council is reducing the percentage share payable from 16% to 14% in 2019/20 a reduction of some £50k. In addition, the construction of single dwelling apartments reflected in current building activity in the City has seen a growth in Council Tax discounts reducing the gain from agreements by £160k. The current agreement has been confirmed for 2019/20 with a review to take place of how the agreement will work in later years. The forecast budget assumes the agreement continues but with further reductions in the share passed to districts.

#### **Hylands Festival**

The Council lets Hylands Park to an external provider for an annual music festival. The organiser intends to alter the scale of the festival going forward, resulting in an ongoing £470k income reduction in the Council's annual budget. However, a decision was made by the organiser in January 2019 to defer the event in 2019, but with a non-binding commitment to an event in 2020. The Council's income budgets for 2019/20 have been reduced by £762k after allowing for the deferral of the event and new potential lets of Hylands House.

Given that an event is likely in 2020, £292k of the loss of income is temporary. In line with the Council's policy of using reserves to fund temporary losses in income, it is proposed to use £292k of the Contingency Reserve in 2019/20 to support the budget.

### **Special Events**

The Council runs a number of successful events on behalf of the community requiring a subsidy of some £111k in 2019/20.

### **VAT**

When undertaking new initiatives, the Council needs to carefully monitor its VAT Partial Exemption position (a limited dispensation allowing Councils to materially recover all their VAT from Government). The cost of breaching the partial exemption level would be in the order of £170k. The undertaking of the redevelopment of the Riverside Pool Complex creates a breach of the Council's partial exemption, however HMRC have granted a temporary waiver. This allows the partial exemption to be breached but without cost to the Council. Waivers are normally only granted to Councils undertaking large one-off projects. The Council's partial exemption position is affected by large capital schemes such as Riverside and by certain types of income generating initiatives.

The Council has previously managed to reduce its annual VAT liability on Leisure income by some £100k per year. This saving is dependent on factors that can change overtime. The MTFs identified that £100k saving would cease in 2019/20 however it is now estimated that the saving will continue in 2019/20.

### **Risks to reliance on Income**

As noted above the Council is heavily reliant on non-grant income. This has been beneficial when the Government is cutting grant but does create other risks such as volatility. An analysis of the major risks and historical experience with budgets is made by the Director of Finance in "The Council's Revenue Budget 2019/20 - Review of the Budget and the Level of Reserves and Balances" report which will be presented to Council.

## **13 Savings, Efficiencies & Adverse Variances**

### **Review of Stables Visitor Centre, Hylands**

A review of the Stables Visitor Centre has resulted in the replacement of the shop by additional studio space, responding to demand for such space and providing a net saving of £35k.

### **Staff Changes**

There have been a number of changes within the staffing structure, resulting in a net cost of £17k. This includes investment in a number of areas such as supporting the delivery of our Cultural Strategy, developing an identity for the City and making the most of our assets, alongside changes to internal support arrangements.

### **Credit Card Charges**

When Council customers pay by debit or credit card the Council pays fees to the bank for processing the transactions. A renegotiation on the charges the Council pays has saved some £50k per year.

### **Discretionary Housing Payments (DHP) & Housing Benefits**

The Council pays out and receives funding for Housing Benefits to the extent of some £44m per year. There is always however a net gain or loss to the Council as the

Government funding scheme both provides penalties and incentives to Councils administering Housing benefits. In 2019/20 there is estimated to be an adverse variance on Housing Benefits. Offsetting this is a reduction in the DHP budget. DHP is non-statutory housing benefit paid at the Councils' discretion and often prevents households from becoming homeless. The Council has previously set aside additional budget in excess of the Government grant for DHPs, in order to ensure support is available to our most vulnerable customers. However, this additional funding has consistently not been required and it is therefore recommended to amend the budget in-line with demand. This will be kept under close review, particularly for any impact of universal credit.

14 2019/20 Service Improvements

**Housing Service Improvement Plan & Homelessness Costs**

As referred to paragraph 12, the Council has invested significantly in its Housing Services, including a full review of the staff structure in order to meet the demands of new legislation and to improve the outcomes for service users. As a result of this new approach, the number of households in temporary accommodation has fallen from 369 cases in October 2017 to 271 in October 2018 and the projections of future use of temporary accommodation in 2019/20 are no longer expected to increase. This resulted in a decrease in budgeted costs of £60k between 2018/19 and 2019/20 (after allowing for use of reserves and overheads).

**Impact of Riverside Redevelopment**

The redevelopment will provide a high-quality facility and improve the Council's ongoing revenue position by some £0.5m. The new facilities have less car parking spaces and the budget has been adjusted to reflect lower car park income.

**Digital strategy**

The Digital programme is funded within the resources identified in line with the original approval made in May 2017. During 2019/20 this in practice means funding from ongoing base budgets, the use of Carry Forward Budgets and reserves as detailed in 20. During 2019 the programme for the years after 2019/20 will be redrafted, identifying costs and benefits. As this review has not yet taken place no allowance is made in the budget forecast in **Appendix 1** for the costs and benefits of the Digital programme beyond 2019/20.

15 Revenue Service Budgets

A summary of the ongoing changes in the 2019/20 Council service budgets is shown in **Appendix 1** and the service budgets are shown in **Appendix 2**.

16 The impact of Capital Expenditure on the Revenue Budget

The Council in 2019/20 is required by statute to produce a Capital & Investment Strategy, which is elsewhere on the agenda. It gives a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of local public services along with an overview of how the associated risks are managed and the implications for the future financial sustainability of the Council. The next few paragraphs are a short summary of the how the capital expenditure links to the revenue budget.

The Council capital programme is shown in a separate report on this agenda. Capital Expenditure relates to the acquisition or enhancement of assets on behalf of the authority

or others which have a useful life, in excess of 12 months. 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. The capital programme is different from revenue budgets in that borrowing and assets sales may be used to fund expenditure.

The Medium-Term Financial Forecast identified a policy of:

- Continuing to turn loss making assets into capital receipts or converting proceeds into assets that generate an income.
- Seeking to attract investment through the Government, Europe, the Local Enterprise Partnership and development contributions; S106 and Community Infrastructure Levy.
- Maintaining a Chelmsford Development Fund. One off and temporary revenue income such as New Homes Bonus, Business Rate Retention income and VAT windfalls would be used to fund the reserve. The transfers to the Chelmsford Development Fund are shown in **Appendix 3** (Reserves).

- 17 The Council's asset replacement programme e.g. vehicles and equipment, is currently funded from leasing arrangements (ongoing revenue budgets), Asset Replacement Contributions (ARR; an ongoing revenue contribution to reserves) and from capital receipts. Of the three funding arrangements mentioned, the use of capital receipts is unsustainable, as it requires the continuous identification and sale of property assets. To make the Council's asset replacement programme more sustainable the contribution to the ARR reserve is recommended to be £1.7m in 2019/20. It is assumed that the funds held in the ARR and Chelmsford Development Reserve are used to fund the capital programme in 2019/20, this is shown as Revenue Funding of Capital (£5.7m) in **Appendix 2**.
- 18 This approach where replacement assets such as vehicles are eventually funded from revenue and major projects through windfall gains, capital receipts and New Homes Bonus has delayed the requirement to externally borrow.
- 19 The Council's strategy of acquiring assets which generate positive financial returns by disposing of non-operational assets depends upon finding good value acquisitions. The Council acquired premises leased to Visteon in December 2018, however the Council's capital resources for 2018/19 are estimated to be insufficient to fund the purchase, so 'internal borrowing' is projected as being used to fund the capital programme in 2018/19 and 2019/20. However, in 2020/21 planned asset disposals repay the internal borrowing. Internal borrowing is a practice of using cash held by the authority for non-capital purposes e.g. cash from having a General fund balance to fund asset purchases. In budget terms this does not mean the Council has spent its General Fund balance it is however using cash that would have remained in cash investments instead to acquire an asset. Given cash investments are planned to return some 1.2%, it is often possible for authorities to use internal borrowing to improve the utility obtained from a Council's cash. To ensure internal borrowing is undertaken prudently the Council is required to budget for Minimum Revenue Provision (MRP) in its revenue budget to allow the repayment of the debt over a number of years (should assets sales not be used to repay debt). The 2019/20 budget includes an estimate of £0.2m for MRP, due to the method of calculating MRP no estimate is required for 2018/19. More details on the capital funding position can be found in the Capital & Investment Strategy report elsewhere on the agenda.



20 Budget Forecast, Risks, Robust Budget and Reserve Balances

The Council's reserves are shown in **Appendix 3**. The Reserves are intended to be to be used in the following circumstances:

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

The Director of Finance has recommended that the General Fund Balance should be maintained in the range of £2.5m to £3.5m. The budget for 2019/20 forecasts the General Balance will be £3.1m at 31<sup>st</sup> March 2020.

The Budget forecast should be considered along with the current budget proposals when decisions are made regarding the appropriate level of reserves and Council Tax. The Medium Term Financial Strategy will be presented to July 2019 Cabinet to update and enable planning of the Council's finances. A detailed forecast of the Council's budget is shown in **Appendix 1**.

In summary the projected shortfalls are:

	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
Losses as a result of Government policy	450	450	-	-
+Other Pressures/- reductions	27	500	405	405
<b>Total In year</b>	<b>477</b>	<b>950</b>	<b>405</b>	<b>405</b>
Cumulative		<b>1,427</b>	<b>1,832</b>	<b>2,237</b>

In summary the material transfers to and from reserves in 2019/20 are:

Annual contribution from Revenue:

- £1.4m to the Pension deficiency cost
- £1.7m to the Asset Replacement Reserve

Temporary/One off Income contributions to Reserves

- Insurance Reserve £0.2m funded from expected Business Rate retention income
- Chelmsford Development Reserve £3.8m of New Homes Bonus contributions and a further £0.2m from expected Business Rate retention income
- £2.6m to Business Rate Retention Reserve (uncertain Business Rate Retention Income)
- £0.018m to the Contingency Reserve funded by a Government Brexit Grant

Transfers Between Reserves

- £1m from the General Fund Balance to Pension Deficiency Reserve. To be available to support staff restructuring, this is non-specific and does not relate to a planned event.

- £0.5m from the General Fund Balance to the Local Development Framework reserve. To fund work on the local plan.

#### Use of Reserves to Support expenditure

- Contingency and Equalisation Reserve Use of £0.176m to support the budget during low interest rate environment and £0.29m to fund the temporary loss of Hylands Festival income.
- Local Development framework £0.26m
- Insurance Reserve £0.03m to support a review of risk management
- Asset replacement Reserve £1.7m to support the capital programme
- Chelmsford Development Reserve £4.0m to support the capital programme
- General Fund significant items:
  - £0.2m Local Election. Chelmsford City Council elections will take place in May 2019, the cost of £0.19m is contained within the budget proposals and an additional £0.01m contingency has been included. The estimated cost is based on the most recent County Council elections held in Chelmsford and organised by the City Council. The budget for the City elections is funded from General Reserve and is therefore not shown as an ongoing variance in **Appendix 1**.
  - £0.2m Digital Programme contingency

A discussion on the reserves is contained in the “The Council’s Revenue Budget 2019/20 - Review of the Budget and the Level of Reserves and Balances” report which will be made to full Council.

#### 21 Council Tax Referendums

The Government’s funding assumption when making cuts to local authority grants was that all Shire Districts would increase their Council Tax by the greater of up to 3% or £5 per annum until at least 2019/20.

The Government has announced that Council Tax increases of the greater of up to 3% or £5 for District authorities will not be subject to a local referendum.

#### 22 Council Tax, Parish Grant & Special Expenses Proposal 2019/20

Special Expenses and Parish/Town precepts are in **Appendix 5**.

It is proposed to increase the City Council’s Council Tax by 2.6% just under 10 pence per week (£4.93 per year) in 2019/20, to limit the level of efficiency savings necessary and continue to allow the Council to invest in the services it provides to residents.

A Council Tax Resolution (**Appendix 6**) has been prepared. The precepts of the Essex Police Authority and Essex Fire Authority were agreed on the 24<sup>th</sup> January. Essex County Council were agreed on the 12<sup>th</sup> February.

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

#### **Council Tax Surplus or Deficit**

The Council Tax Deficit payable by the City Council in 2019/20 is £54k, this is already included within the budget. The Collection Fund records the amount of income collected from Council Tax, together with precept payments to principal authorities. These

elements will generate a surplus or a deficit which should be taken into account when determining the Council Tax for the following year.

### **Business Rate Surplus or Deficit**

To meet the legal requirements when setting the budget for 2019/20 the Council is required to declare by the 31<sup>st</sup> January 2019 a Business Rate Retention Surplus or Deficit, after submitting a return (NNDR1) to Government. The anticipated income for the Council, declared on NNDR1, shows potential additional income of £1.669m above the baseline funding level for 2019/20 and an estimated surplus for previous years of £0.807m. This surplus is made up of final reconciled surplus for prior years up to 2017/18 of £0.618m that the Council will retain and an estimated surplus for 2018/19 of £0.188m, that will not be certain until the end of the financial year. The estimated net additional income for 2019/20, is thus estimated to be £2.476m.

The Council is part of an Essex Business Rates pool that enables the pooling authorities to reduce the levy that is due to the Government on growth income above the baseline funding level. The level of levy saving that the pool achieves is dependent on business rates income collected by all member authorities and therefore difficult to predict. The Council is estimating to receive an additional £0.790m in levy saved from the Pool in 2019/20.

### **RECOMMENDED THAT COUNCIL approves:**

- i) an original budget for 2019/20 and level of reserves, as shown in **Appendices 1, 2 and 3**;
- ii) that the average level of Council Tax for the City Council be increased to give an average annual Band D Council Tax of £194.02 for 2019/20;
- iii) that the changes to fees and charges outside of the budget guidelines set out in **Appendix 4** be approved;
- iv) the allocation of special expenses and Parish grant, as set out in **Appendix 5**, be agreed;
- v) the formal resolution required to set the budget and Council Tax for 2019/20, as set in **Appendix 6**;
- vi) Directors, after consultation with Cabinet Members, be instructed to identify budget reduction proposals for 2020/21 and future years which could be included in the July 2019 Medium Term Financial Strategy report; and
- vii) the Director of Corporate Services, after consultation with the Leader of the Council, be authorised to agree the pay award for 2019/20 within the budget provided.

### **List of Appendices**

- 1 Variances 2019/20 compared to Original 2018/19 Budget & Financial Forecast
- 2 Service Budgets 2019/20
- 3 Reserves
- 4 Fees and charges increased by more or less than 2.0% inflation

5 Chelmsford City Council Tax Special Expenses  
6 Council Tax Resolution

Background Paper

Nil

# APPENDIX 1

Variances 2019/20 compared to Original 2018/19 Budget & Financial Forecast	Original 2019/20 (variance from 2018/19)		Forecast Variances (year on Year)			
	MTFS 2019/20 £000's	2018/19) £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
<b>Year on Year Ongoing Changes in Budget +cost/-gains</b>						
<b>Ongoing Net Changes in Reserves</b>						
Asset Replacement Reserve Contributions			150	150	150	150
Cease transfer from contingency (interest rates increase)			175			
<b>Changes from Central Government and Local Taxes</b>						
Government Settlement Funding Change	909	-75	450	450		
Business Rate Section 31 Grant	-34	-34				
Business Rate Retention	-500	-176				
New Homes Bonus remove support to ongoing revenue expenditure		176				
<b>Cost Inflation &amp; Pay</b>						
NDR Inflation & Valuation Changes	156	111	50	50	50	50
Energy Inflation & Usage Change	75	12	50	50	50	50
Pay Changes	656	856	620	630	640	650
<b>Income</b>						
Commercial Property Rent	187	-470	-90			
Flexible Homelessness Grant		-246				
Income Inflation	-282	-267	-420	-430	-435	-445
Cemetery Income		-55				
Planning Income & Local Land Charges	212	-12		100		
Council Tax Discount sharing agreement		210	50	50	50	50
Interest	-13	-3	-233			
Hylands Festival Income (ongoing impact)	360	470				
Special Events		111				
VAT savings - was considered one off but extends into 2019/20	100					
<b>Savings, Efficiencies and Adverse variances</b>						
Review of Hylands Stables Visitor Centre		-35				
Staffing changes	-88	17				
Card charges - renegotiation		-50				
Discretionary Housing Payments		-198				
Housing Benefits		195				
<b>Service Improvements</b>						
Housing Service Review -budget saving	-81	-60				
Riverside Redevelopment -Revenue Improvement	-485	-505				
Riverside Redevelopment-part year impact Revenue Improvement		55	-55			
Car Park Reduced Spaces at Riverside	180	147				
New Leisure System and Mobile Devices	49	69				
Enterprise Resource Planner - Financial Module			50			
Waste and Recycling - implications of growth	50	50	50	50	50	50
General Data Protection Regulation		10				
Minimum Revenue Provision		200	-200			
Other	48	46	-20			
Tax Increase		-329				
Taxbase growth	-151	-220	-150	-150	-150	-150
<b>Budget +Shortfall/-surplus</b>	<b>1,348</b>	<b>0</b>	<b>477</b>	<b>950</b>	<b>405</b>	<b>405</b>
<b>Cumulative</b>			<b>477</b>	<b>1,427</b>	<b>1,832</b>	<b>2,237</b>

# APPENDIX 2

## Service Budgets 2019/20

	2018/19 Original Budget £'000	Variations £'000	2019/20 Original Budget £'000
<b>Chief Executive</b>	272	33	305
<b>Corporate Management &amp; DRM</b>	-460	452	-8
<b>Corporate Services</b>			
Corporate Services	6,876	334	7,210
Theatres & Special Events	192	181	373
Museums & Cultural Partnership	637	66	703
<b>Financial Services</b>			
Financial Services(HB, Revenues,Property and Financial Support Services)	-1,201	-621	-1,822
Strategic Housing	1,177	334	1,511
<b>Sustainable Communities</b>			
Planning & Building Control Services	1,496	76	1,572
Parking Services	-4,939	-27	-4,966
<b>Public Places</b>			
Parks & Cemetery Services	1,366	-18	1,348
Recycling & Waste Services	4,988	166	5,154
Public Health & Protection Services	1,627	14	1,641
Building Services	1,879	79	1,958
Leisure Services	677	-638	39
<b>Controllable Service Expenditure</b>	<b>14,587</b>	<b>431</b>	<b>15,018</b>
<b>Other General Fund Items</b>			
-Temporary Accommodation (Subsidy Loss)	1,252	-577	675
- Other budgets	-481	-7	-488
- Interest Income	-539	-3	-542
- Minium Revenue Provision		200	200
- Revenue Funding of Capital	14,217	-8,468	5,749
- Other Grants (New Homes Bonus)	-3,156	-659	-3,815
- Business Rate Retention Scheme	-1,169	-2,097	-3,266
- Use of Carry Forward Reserves	-114	-50	-164
<b>Earmarked Reserves</b>			
- Business Rates Retention Scheme Reserve	843	1,805	2,648
- Contributions to / -use of Other Earmarked reserves	-9,648	10,543	895
<b>Net Expenditure</b>	<b>15,792</b>	<b>1,118</b>	<b>16,910</b>
Contribution to / -from Balances	76	-591	-515
<b>Budget Requirement</b>	<b>15,868</b>	<b>527</b>	<b>16,395</b>
Baseline Retained Business Rates	-3,278	-75	-3,353
Business Rate Section 31 Grant & Levy Grant	-68	-92	-160
Council Tax -Surplus/+deficit	-138	192	54
Income from Council Tax	<b>12,384</b>	<b>552</b>	<b>12,936</b>
<b>Business Rates Retention Memorandum</b>			
<b>Business Rates Retention Scheme Income</b>	<b>1,169</b>	<b>2,097</b>	<b>3,266</b>
<u>Use of Business Rate Retention Income</u>			
Contingency Reserve	326	-326	0
Chelmsford Development Reserve		211	211
Insurance Reserve		231	231
Business Rates Retention Reserve	843	1,805	2,648
Support Expenditure	0	176	176
	<b>1,169</b>	<b>2,097</b>	<b>3,266</b>

<b><u>CHIEF EXECUTIVE</u></b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig £'000	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Support Services	241	32	273
<b>Salary &amp; Wages Total</b>	<b>241</b>	<b>32</b>	<b>273</b>
<b><u>Agency</u></b>			
Support Services	-	-	-
<b>Agency Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Employees Total</b>	<b>241</b>	<b>32</b>	<b>273</b>
<b><u>Other Expenditure</u></b>			
Support Services	31	1	32
<b>Other Expenditure Total</b>	<b>31</b>	<b>1</b>	<b>32</b>
<b>Total Expenditure</b>	<b>272</b>	<b>33</b>	<b>305</b>
<b><u>Income</u></b>			
Support Services	-	-	-
<b>Income Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Total Expenditure Summary</u></b>			
Support Services	272	33	305
<b>Total Expenditure</b>	<b>272</b>	<b>33</b>	<b>305</b>
<b>Net Direct Expenditure</b>	<b>272</b>	<b>33</b>	<b>305</b>
<b><u>Net Summary</u></b>			
Support Services			
Income	-	-	-
Expenditure	272	33	305
<b>Net</b>	<b>272</b>	<b>33</b>	<b>305</b>
<b>Net Direct Expenditure</b>	<b>272</b>	<b>33</b>	<b>305</b>

<b><u>Corporate Management &amp; Democratic Representation &amp; Management</u></b>	<b>2018/19 Original Budget  £'000</b>	<b>Variation from Original budget to 19/20 Orig  £'000</b>	<b>2019/20 Original Budget  £'000</b>
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Central Provision for Pay	-	260	260
<b>Salary &amp; Wages Total</b>	<b>-</b>	<b>260</b>	<b>260</b>
<b>Employees Total</b>	<b>-</b>	<b>260</b>	<b>260</b>
<b><u>Other Expenditure</u></b>			
Corporate Management & DRM	-	-	
<b>Other Expenditure Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditure</b>	<b>-</b>	<b>260</b>	<b>260</b>
<b><u>Income</u></b>			
Other Grant Income	0	-18	-18
Council Tax Discount Sharing	-460	210	-250
<b>Income Total</b>	<b>-460</b>	<b>192</b>	<b>-268</b>
<b><u>Total Expenditure Summary</u></b>			
Corporate Management & DRM	-	260	260
<b>Total Expenditure</b>	<b>-</b>	<b>260</b>	<b>260</b>
<b>Net Direct Expenditure</b>	<b>-460</b>	<b>452</b>	<b>-8</b>
<b><u>Net Summary</u></b>			
<b>Corporate Management &amp; DRM</b>			
Income	-460	192	-268
Expenditure	-	260	260
<b>Net</b>	<b>-460</b>	<b>452</b>	<b>-8</b>
<b>Net Direct Expenditure</b>	<b>-460</b>	<b>452</b>	<b>-8</b>



<b>CORPORATE SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig £'000	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b>Employees</b>			
<b>Salaries &amp; Wages</b>			
Digital Services	1,064	-39	1,025
Digital Strategy	42	275	317
Legal & Democratic Services	810	187	997
Human Resources & Support	872	129	1,001
Customer Services	842	-21	821
Marketing Engagement & Events Team	694	-95	599
<b>Salary &amp; Wages Total</b>	<b>4,324</b>	<b>436</b>	<b>4,760</b>
<b>Agency</b>			
Digital Services	-	-	-
Digital Strategy	-	-	-
Legal & Democratic Services	-	-	-
Human Resources & Support	-	-	-
Customer Services	-	-	-
Marketing Engagement & Events Team	38	-	38
<b>Agency Total</b>	<b>38</b>	<b>-</b>	<b>38</b>
<b>Other Employees</b>			
Human Resources - Training Budget	157	-	157
<b>Other Employees Total</b>	<b>157</b>	<b>-</b>	<b>157</b>
<b>Employees Total</b>	<b>4,519</b>	<b>436</b>	<b>4,955</b>
<b>Other Expenditure</b>			
<b>Digital Services</b>			
Software Licences	221	31	252
Other (e.g Printer running costs, DMS	467	-41	426
Support, repairs & maint. of equip)			
<b>Digital Strategy</b>			
Software Licences	428	-201	227
Consultants	60	-30	30
Host Systems	66	144	210
Other	140	-136	4
<b>Legal &amp; Democratic Services</b>			
Consultant Fees	-	-	-
Counsel Fees	-	-	-
Democratic CM & DRM	615	5	620
Other (e.g. elections, registration of	146	88	234
electors)			
<b>Human Resources &amp; Support</b>	138	18	156
<b>Customer Services</b>	32	-2	30
<b>Marketing Engagement &amp; Events Team</b>	213	-4	209
<b>Other Expenditure Total</b>	<b>2,526</b>	<b>-128</b>	<b>2,398</b>
<b>Total Expenditure</b>	<b>7,045</b>	<b>308</b>	<b>7,353</b>

<b>CORPORATE SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig £'000	2019/20 Original Budget
	£'000	£'000	£'000
<b>Income</b>			
Digital Services	-41	-	-41
Legal & Democratic Services	-60	-1	-61
Human Resources & Support	-27	-7	-34
Customer Services	-	-	-
Marketing Engagement & Events Team	-41	34	-7
<b>Income Total</b>	<b>-169</b>	<b>26</b>	<b>-143</b>
<b>Total Expenditure Summary</b>			
Digital Services	1,752	-49	1,703
Digital Strategy	736	52	788
Legal & Democratic Services	1,571	280	1,851
Human Resources & Support	1,167	147	1,314
Customer Services	874	-23	851
Marketing Engagement & Events Team	945	-99	846
<b>Total Expenditure</b>	<b>7,045</b>	<b>308</b>	<b>7,353</b>
<b>Net Direct Expenditure</b>	<b>6,876</b>	<b>334</b>	<b>7,210</b>
<b>Net Summary</b>			
<b>Legal &amp; Democratic Services</b>			
Income	-60	-1	-61
Expenditure	1,571	280	1,851
<b>Net</b>	<b>1,511</b>	<b>279</b>	<b>1,790</b>
<b>Human Resources &amp; Support</b>			
Income	-27	-7	-34
Expenditure	1,167	147	1,314
<b>Net</b>	<b>1,140</b>	<b>140</b>	<b>1,280</b>
<b>Customer Services</b>			
Income	-	-	-
Expenditure	874	-23	851
<b>Net</b>	<b>874</b>	<b>-23</b>	<b>851</b>
<b>Marketing Engagement &amp; Events Team</b>			
Income	-41	34	-7
Expenditure	945	-99	846
<b>Net</b>	<b>904</b>	<b>-65</b>	<b>839</b>
<b>Net Summary</b>			
<b>Digital Services</b>			
Income	-41	0	-41
Expenditure	1,752	-49	1,703
<b>Net</b>	<b>1,711</b>	<b>-49</b>	<b>1,662</b>
<b>Digital Strategy</b>			
Income	-	-	-
Expenditure	736	52	788
<b>Net</b>	<b>736</b>	<b>52</b>	<b>788</b>
<b>Net Direct Expenditure</b>	<b>6,876</b>	<b>334</b>	<b>7,210</b>

<b>THEATRES &amp; SPECIAL EVENTS</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b>Employees</b>			
<b>Salaries &amp; Wages</b>			
Theatres	712	47	759
Special Events	23	114	137
<b>Salary &amp; Wages Total</b>	<b>735</b>	<b>161</b>	<b>896</b>
<b>Agency</b>			
Theatres	-	-	-
Special Events	-	-	-
<b>Agency Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Employees Total</b>	<b>735</b>	<b>161</b>	<b>896</b>
<b>Other Expenditure</b>			
Theatres	945	3	948
Special Events	369	-74	295
<b>Other Expenditure Total</b>	<b>1,314</b>	<b>-71</b>	<b>1,243</b>
<b>Total Expenditure</b>	<b>2,049</b>	<b>90</b>	<b>2,139</b>
<b>Income</b>			
Theatres	-1,470	-35	-1,505
Special Events	-387	126	-261
<b>Income Total</b>	<b>-1,857</b>	<b>91</b>	<b>-1,766</b>
<b>Total Expenditure Summary</b>			
Theatres	1,657	50	1,707
Special Events	392	40	432
<b>Total Expenditure</b>	<b>2,049</b>	<b>90</b>	<b>2,139</b>
<b>Net Direct Expenditure</b>	<b>192</b>	<b>181</b>	<b>373</b>
<b>Net Summary</b>			
<b>Theatres</b>			
Income	-1,470	-35	-1,505
Expenditure	1,657	50	1,707
<b>Net</b>	<b>187</b>	<b>15</b>	<b>202</b>
<b>Special Events</b>			
Income	-387	126	-261
Expenditure	392	40	432
<b>Net</b>	<b>5</b>	<b>166</b>	<b>171</b>
<b>Net Direct Expenditure</b>	<b>192</b>	<b>181</b>	<b>373</b>

<b>MUSEUMS &amp; CULTURAL</b>			
<b><u>PARTNERSHIP</u></b>	<b>2018/19 Original Budget</b>	<b>Variation from Original budget to 19/20 Orig</b>	<b>2019/20 Original Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Museums	544	-63	481
Cultural Partnership	-	72	72
<b>Salary &amp; Wages Total</b>	<b>544</b>	<b>9</b>	<b>553</b>
<b><u>Agency</u></b>			
Museums	-	13	13
<b>Agency Total</b>	<b>-</b>	<b>13</b>	<b>13</b>
<b>Employees Total</b>	<b>544</b>	<b>22</b>	<b>566</b>
<b><u>Other Expenditure</u></b>			
Museums	244	15	259
Cultural Partnership	-	56	56
<b>Other Expenditure Total</b>	<b>244</b>	<b>71</b>	<b>315</b>
<b>Total Expenditure</b>	<b>788</b>	<b>93</b>	<b>881</b>
<b><u>Income</u></b>			
Museums	-151	-27	-178
<b>Income Total</b>	<b>-151</b>	<b>-27</b>	<b>-178</b>
<b><u>Total Expenditure Summary</u></b>			
Museums	788	-35	753
Cultural Partnership	-	128	128
<b>Total Expenditure</b>	<b>788</b>	<b>93</b>	<b>881</b>
<b>Net Direct Expenditure</b>	<b>637</b>	<b>66</b>	<b>703</b>
<b><u>Net Summary</u></b>			
<b><u>Museums</u></b>			
Income	-151	-27	-178
Expenditure	788	-35	753
<b>Net</b>	<b>637</b>	<b>-62</b>	<b>575</b>
<b><u>Cultural Partnership</u></b>			
Income	-	-	-
Expenditure	-	128	128
<b>Net</b>	<b>-</b>	<b>128</b>	<b>128</b>
<b>Net Direct Expenditure</b>	<b>637</b>	<b>66</b>	<b>703</b>

<b><u>FINANCIAL SERVICES</u></b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Revenues & Benefits	1,765	44	1,809
Financial Support Services	1,357	104	1,461
Property Services	301	-26	275
Finance CM & DRM	-	-	-
<b>Salary &amp; Wages Total</b>	<b>3,423</b>	<b>122</b>	<b>3,545</b>
<b><u>Agency</u></b>			
Revenues & Benefits	28	5	33
Financial Support Services	16	-16	-
Property Services	-	-	-
<b>Agency Total</b>	<b>44</b>	<b>-11</b>	<b>33</b>
<b>Employees Total</b>	<b>3,467</b>	<b>111</b>	<b>3,578</b>
<b><u>Other Expenditure</u></b>			
Revenues & Benefits	763	-198	565
Financial Support Services	442	26	468
Property Services			
Premises Maintenance	56	-2	54
Consultants	38	-	38
Other	85	-20	65
Finance CM & DRM	308	-50	258
<b>Other Expenditure Total</b>	<b>1,692</b>	<b>-244</b>	<b>1,448</b>
<b>Total Expenditure</b>	<b>5,159</b>	<b>-133</b>	<b>5,026</b>
<b><u>Income</u></b>			
Revenues & Benefits	-1,483	-25	-1,508
Financial Support Services	-7	-	-7
Property Services	0	-	0
Rents	-4,774	-474	-5,248
Other (including license fee income)	-86	4	-82
Finance CM & DRM	-10	7	-3
<b>Income Total</b>	<b>-6,360</b>	<b>-488</b>	<b>-6,848</b>
<b><u>Total Expenditure Summary</u></b>			
Revenues & Benefits	2,556	-149	2,407
Financial Support Services	1,815	114	1,929
Property Services	480	-48	432
Finance CM&DRM	308	-50	258
<b>Total Expenditure</b>	<b>5,159</b>	<b>-133</b>	<b>5,026</b>
<b>Net Direct Expenditure</b>	<b>-1,201</b>	<b>-621</b>	<b>-1,822</b>

<b><u>FINANCIAL SERVICES</u></b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b>Net Summary</b>			
<b>Revenues &amp; Benefits</b>			
Income	-1,483	25	-1,508
Expenditure	2,556	-149	2,407
<b>Net</b>	<b>1,073</b>	<b>-174</b>	<b>899</b>
<b>Financial Support Services</b>			
Income	-7	-	-7
Expenditure	1,815	114	1,929
<b>Net</b>	<b>1,808</b>	<b>114</b>	<b>1,922</b>
<b>Property Services</b>			
Income	-4,860	470	-5,330
Expenditure	480	-48	432
<b>Net</b>	<b>-4,380</b>	<b>-518</b>	<b>-4,898</b>
<b>Finance CM&amp;DRM</b>			
Income	-10	-7	-3
Expenditure	308	-50	258
<b>Net</b>	<b>298</b>	<b>-43</b>	<b>255</b>
<b>Net Direct Expenditure</b>	<b>-1,201</b>	<b>-621</b>	<b>-1,822</b>

<b><u>STRATEGIC HOUSING</u></b>			
	<b>2018/19 Original Budget</b>	<b>Variation from Original budget to 19/20 Orig</b>	<b>2019/20 Original Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Housing Support	657	210	867
<b>Salary &amp; Wages Total</b>	<b>657</b>	<b>210</b>	<b>867</b>
<b><u>Agency</u></b>			
Housing Support	186	-186	-
<b>Agency Total</b>	<b>186</b>	<b>-186</b>	<b>-</b>
<b>Employees Total</b>	<b>843</b>	<b>24</b>	<b>867</b>
<b><u>Other Expenditure</u></b>			
<b>Housing Advice</b>			
Boarding & Lodging	2,521	-863	1,658
Rent Deposit Guarantee Scheme (RDGS)	83	174	257
Private Sector Leasing	1,085	363	1,448
Council Owned Properties	103	-30	73
Other (e.g Hostel Expenditure)	158	-60	98
<b>Enabling &amp; Strategy</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Support	51	126	177
<b>Other Expenditure Total</b>	<b>4,001</b>	<b>-290</b>	<b>3,711</b>
<b>Total Expenditure</b>	<b>4,844</b>	<b>-266</b>	<b>4,578</b>
<b><u>Income</u></b>			
<b>Housing Advice</b>			
Boarding & Lodging	-2,438	966	-1,472
Rent Deposit Guarantee Scheme (RDGS)	-19	-45	-64
Private Sector Leasing	-840	-320	-1,160
Council Owned Properties	-310	152	-158
Other (e.g Hostel income)	-52	-116	-168
<b>Enabling &amp; Strategy</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Support	-8	-37	-45
<b>Income Total</b>	<b>-3,667</b>	<b>600</b>	<b>-3,067</b>
<b><u>Total Expenditure Summary</u></b>			
Housing Advice	3,950	-416	3,534
Enabling & Strategy	-	-	-
Housing Support	894	150	1,044
<b>Total Expenditure</b>	<b>4,844</b>	<b>-266</b>	<b>4,578</b>
<b>Net Direct Expenditure</b>	<b>1,177</b>	<b>334</b>	<b>1,511</b>

<b>STRATEGIC HOUSING</b>			
	<b>2018/19 Original Budget</b>	<b>Variation from Original budget to 19/20 Orig</b>	<b>2019/20 Original Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Summary</b>			
<b>Housing Advice</b>			
Income	-3,659	637	-3,022
Expenditure	3,950	-416	3,534
<b>Net</b>	<b>291</b>	<b>221</b>	<b>512</b>
<b>Enabling &amp; Strategy</b>			
Income	-	-	-
Expenditure	-	-	-
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Housing Support</b>			
Income	-8	-37	-45
Expenditure	894	150	1,044
<b>Net</b>	<b>886</b>	<b>113</b>	<b>999</b>
<b>Net Direct Expenditure</b>	<b>1,177</b>	<b>334</b>	<b>1,511</b>
<b>Memorandum</b>			
<b>Temporary Accommodation Subsidy Loss</b>	<b>1,252</b>	<b>-577</b>	<b>675</b>



<b>PLANNING &amp; BUILDING CONTROL</b>			
<b>SERVICES</b>	<b>2018/19 Original Budget</b>	<b>Variation from Original budget to 19/20 Orig</b>	<b>2019/20 Original Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Planning	2,451	49	2,500
Building Control	505	20	525
Other (Inward Investment)	242	5	247
<b>Salary &amp; Wages Total</b>	<b>3,198</b>	<b>74</b>	<b>3,272</b>
<b><u>Agency</u></b>			
Planning	-	-	-
Building Control	-	-	-
Other (Inward Investment)	-	-	-
<b>Agency Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Employees Total</b>	<b>3,198</b>	<b>74</b>	<b>3,272</b>
<b><u>Other Expenditure</u></b>			
Planning			
LDF Expenditure	157	15	172
Other	352	-2	350
Building Control	43	-1	42
Other			
Chelmsford Growth Fund	-	-	-
Inward Investment Economy & Growth (IIEG)	40	-	40
<b>Other Expenditure Total</b>	<b>592</b>	<b>12</b>	<b>604</b>
<b>Total Expenditure</b>	<b>3,790</b>	<b>86</b>	<b>3,876</b>
<b><u>Income</u></b>			
Planning			
Planning Applications	-1,190	-	-1,190
S106/CIL	-120	-100	-220
Land Charges	-282	63	-219
Other (e.g PPA, Preliminary Enquiry)	-196	-	-196
Building Control	-499	27	-472
Other			
Chelmsford Growth Fund	-	-	-
Inward Investment Economy & Growth (IIEG)	-7	-	-7
<b>Income Total</b>	<b>-2,294</b>	<b>-10</b>	<b>-2,304</b>
<b><u>Total Expenditure Summary</u></b>			
Planning	2,960	62	3,022
Building Control	548	19	567
Other (Chelmsford Growth Fund, IIEG)	282	5	287
<b>Total Expenditure</b>	<b>3,790</b>	<b>86</b>	<b>3,876</b>
<b>Net Direct Expenditure</b>	<b>1,496</b>	<b>76</b>	<b>1,572</b>

<b>PLANNING &amp; BUILDING CONTROL</b>			
<b>SERVICES</b>	<b>2018/19 Original Budget</b>	<b>Variation from Original budget to 19/20 Orig</b>	<b>2019/20 Original Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Summary</b>			
<b>Planning</b>			
Income	-1,788	-37	-1,825
Expenditure	2,960	62	3,022
<b>Net</b>	<b>1,172</b>	<b>25</b>	<b>1,197</b>
<b>Building Control</b>			
Income	-499	27	-472
Expenditure	548	19	567
<b>Net</b>	<b>49</b>	<b>46</b>	<b>95</b>
<b>Other (Chelmsford Growth Fund, IIEG)</b>			
Income	-7	-	-7
Expenditure	282	5	287
<b>Net</b>	<b>275</b>	<b>5</b>	<b>280</b>
<b>Net Direct Expenditure</b>	<b>1,496</b>	<b>76</b>	<b>1,572</b>

<b><u>PARKING SERVICES</u></b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Parking Services	795	-55	740
<b>Salary &amp; Wages Total</b>	<b>795</b>	<b>-55</b>	<b>740</b>
<b><u>Agency</u></b>			
Parking Services	-	-	-
<b>Agency Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Employees Total</b>	<b>795</b>	<b>-55</b>	<b>740</b>
<b><u>Other Expenditure</u></b>			
<b><u>Parking Services</u></b>			
Car Parks Maintenance	176	-28	148
Supplies & Services	156	4	160
Third Party Payment	239	-14	225
Other (including NNDR & utilities)	1,006	98	1,104
<b>Other Expenditure Total</b>	<b>1,577</b>	<b>60</b>	<b>1,637</b>
<b>Total Expenditure</b>	<b>2,372</b>	<b>5</b>	<b>2,377</b>
<b><u>Income</u></b>			
<b><u>Parking Services</u></b>			
Car Parks Fee Income	-6,528	-32	-6,560
Car Parks Rents & Fines	-380	-	-380
Other	-403	-	-403
<b>Income Total</b>	<b>-7,311</b>	<b>-32</b>	<b>-7,343</b>
<b><u>Total Expenditure Summary</u></b>			
Parking Services	2,372	5	2,377
<b>Total Expenditure</b>	<b>2,372</b>	<b>5</b>	<b>2,377</b>
<b>Net Direct Expenditure</b>	<b>-4,939</b>	<b>-27</b>	<b>-4,966</b>
<b><u>Net Summary</u></b>			
<b><u>Parking Services</u></b>			
Income	-7,311	-32	-7,343
Expenditure	2,372	5	2,377
<b>Net</b>	<b>-4,939</b>	<b>-27</b>	<b>-4,966</b>
<b>Net Direct Expenditure</b>	<b>-4,939</b>	<b>-27</b>	<b>-4,966</b>

<b><u>PARKS &amp; CEMETERY SERVICES</u></b>			
	<b>2018/19 Original Budget  £'000</b>	<b>Variation from Original budget to 19/20 Orig £'000</b>	<b>2019/20 Original Budget  £'000</b>
<b>Controllable items</b>			
<b><u>Employees</u></b>			
<b><u>Salaries &amp; Wages</u></b>			
Cemetery & Crematorium	198	13	211
Green Space	2,018	50	2,068
Management & Support	448	4	452
<b>Salary &amp; Wages Total</b>	<b>2,664</b>	<b>67</b>	<b>2,731</b>
<b><u>Agency</u></b>			
Cemetery & Crematorium	1	-1	-
Green Space	65	-28	37
Management & Support	-	-	-
<b>Agency Total</b>	<b>66</b>	<b>-29</b>	<b>37</b>
<b>Employees Total</b>	<b>2,730</b>	<b>38</b>	<b>2,768</b>
<b><u>Other Expenditure</u></b>			
<b>Cemetery &amp; Crematorium</b>			
Cemetery & Crematorium Maintenance	38	-	38
Supplies & Services	48	-	48
Third Party Payment	52	-	52
Other (including NNDR & utilities)	188	3	191
<b>Green Space</b>			
Premises Maintenance	110	-2	108
Material	215	29	244
Contractors	299	4	303
Play Areas, Utilities and vehicle costs	735	13	748
Management & Support	33	-1	32
<b>Other Expenditure Total</b>	<b>1,718</b>	<b>46</b>	<b>1,764</b>
<b>Total Expenditure</b>	<b>4,448</b>	<b>84</b>	<b>4,532</b>
<b><u>Income</u></b>			
<b>Cemetery &amp; Crematorium</b>			
Cemetery & Crematorium Fees	-1,740	-90	-1,830
Cemetery & Crematorium Sales	-162	-	-162
Other Income (e.g Mercury Abatement Scheme)	-10	-	-10
<b>Green Space</b>	<b>-1,170</b>	<b>-12</b>	<b>-1,182</b>
<b>Management &amp; Support</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income Total</b>	<b>-3,082</b>	<b>-102</b>	<b>-3,184</b>
<b><u>Total Expenditure Summary</u></b>			
Cemetery & Crematorium	525	15	540
Green Space	3,442	66	3,508
Management & Support	481	3	484
<b>Total Expenditure</b>	<b>4,448</b>	<b>84</b>	<b>4,532</b>
<b>Net Direct Expenditure</b>	<b>1,366</b>	<b>-18</b>	<b>1,348</b>

<b><u>PARKS &amp; CEMETERY SERVICES</u></b>			
	<b>2018/19 Original Budget  £'000</b>	<b>Variation from Original budget to 19/20 Orig £'000</b>	<b>2019/20 Original Budget  £'000</b>
<b>Net Summary</b>			
<b>Cemetery &amp; Crematorium</b>			
Income	-1,912	-90	-2,002
Expenditure	525	15	540
<b>Net</b>	<b>-1,387</b>	<b>-75</b>	<b>-1,462</b>
<b>Green Space</b>			
Income	-1,170	-12	-1,182
Expenditure	3,442	66	3,508
<b>Net</b>	<b>2,272</b>	<b>54</b>	<b>2,326</b>
<b>Management &amp; Support</b>			
Income	-	-	-
Expenditure	481	3	484
<b>Net</b>	<b>481</b>	<b>3</b>	<b>484</b>
<b>Net Direct Expenditure</b>	<b>1,366</b>	<b>-18</b>	<b>1,348</b>

<b>RECYCLING &amp; WASTE SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b>Employees</b>			
<b>Salaries &amp; Wages</b>			
Street Care	1,304	12	1,316
Market	175	12	187
Recycling & Waste	3,593	79	3,672
Mgmt, Support, Depot & Workshop	1,317	169	1,486
<b>Salary &amp; Wages Total</b>	<b>6,389</b>	<b>272</b>	<b>6,661</b>
<b>Agency</b>			
Street Care	30	-	30
Market	14	-9	5
Recycling & Waste	313	57	370
Mgmt, Support, Depot & Workshop	14	-14	-
<b>Agency Total</b>	<b>371</b>	<b>34</b>	<b>405</b>
<b>Employees Total</b>	<b>6,760</b>	<b>306</b>	<b>7,066</b>
<b>Other Expenditure</b>			
<b>Street Care</b>			
Vehicle repairs, servicing & maintenance	38	-	38
Vehicle Fuel	100	-	100
Works and External Charges	396	89	485
<b>Market</b>	<b>184</b>	<b>15</b>	<b>199</b>
<b>Recycling &amp; Waste</b>			
Vehicle repairs, servicing & maintenance	173	50	223
Vehicle Fuel	539	-5	534
Trade Waste excluding vehicle costs	666	2	668
Equipment, Materials and External Charges	1,420	-166	1,254
<b>Mgmt, Support, Depot &amp; Workshop</b>	<b>405</b>	<b>-5</b>	<b>400</b>
<b>Other Expenditure Total</b>	<b>3,921</b>	<b>-20</b>	<b>3,901</b>
<b>Total Expenditure</b>	<b>10,681</b>	<b>286</b>	<b>10,967</b>
<b>Income</b>			
<b>Street Care</b>	<b>-184</b>	<b>-2</b>	<b>-186</b>
<b>Market</b>	<b>-551</b>	<b>-40</b>	<b>-591</b>
<b>Recycling &amp; Waste</b>			
Trade Waste	-1,451	-46	-1,497
Material Sales			
Glass	-48	-28	-76
Cans	-150	-30	-180
Plastic	45	105	150
Textiles	-3	1	-2
Paper	-425	39	-386
Cardboard	-140	50	-90
ADC & voluntary groups, mixed card/paper and tetra packs	-23	15	-8
Recycling Credits			
Glass	-271	-17	-288
Cans	-32	-3	-35
Plastic	-95	-71	-166
Textiles	-2	-1	-3
Paper	-230	1	-229
Cardboard	-147	-47	-194
Garden Compost	-390	-8	-398
ADC & voluntary groups, mixed card/paper and tetra packs	-118	4	-114
Foodwaste - IAA	-1,336	-40	-1,376
Special Collections and other recoverable charges	-76	-1	-77
<b>Mgmt, Support, Depot &amp; Workshop</b>	<b>-66</b>	<b>-1</b>	<b>-67</b>
<b>Income Total</b>	<b>-5,693</b>	<b>-120</b>	<b>-5,813</b>

<b>RECYCLING &amp; WASTE SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
<b>Total Expenditure Summary</b>			
Street Care	1,868	101	1,969
Market	373	18	391
Recycling & Waste	6,704	17	6,721
Mgmt, Support, Depot & Workshop	1,736	150	1,886
<b>Total Expenditure</b>	<b>10,681</b>	<b>286</b>	<b>10,967</b>
<b>Net Direct Expenditure</b>	<b>4,988</b>	<b>166</b>	<b>5,154</b>
<b>Net Summary</b>			
<b>Street Care</b>			
Income	-184	-2	-186
Expenditure	1,868	101	1,969
<b>Net</b>	<b>1,684</b>	<b>99</b>	<b>1,783</b>
<b>Market</b>			
Income	-551	-40	-591
Expenditure	373	18	391
<b>Net</b>	<b>-178</b>	<b>-22</b>	<b>-200</b>
<b>Recycling &amp; Waste</b>			
Income	-4,892	-77	-4,969
Expenditure	6,704	17	6,721
<b>Net</b>	<b>1,812</b>	<b>-60</b>	<b>1,752</b>
<b>Mgmt, Support, Depot &amp; Workshop</b>			
Income	-66	-1	-67
Expenditure	1,736	150	1,886
<b>Net</b>	<b>1,670</b>	<b>149</b>	<b>1,819</b>
<b>Net Direct Expenditure</b>	<b>4,988</b>	<b>166</b>	<b>5,154</b>

<b>PUBLIC HEALTH &amp; PROTECTION SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig £'000	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b>Employees</b>			
<b>Salaries &amp; Wages</b>			
Public Health & Protection Services	1,869	13	1,882
<b>Salary &amp; Wages Total</b>	<b>1,869</b>	<b>13</b>	<b>1,882</b>
<b>Agency</b>			
Public Health & Protection Services	-	13	13
<b>Agency Total</b>	<b>-</b>	<b>13</b>	<b>13</b>
<b>Employees Total</b>	<b>1,869</b>	<b>26</b>	<b>1,895</b>
<b>Other Expenditure</b>			
<b>Public Health &amp; Protection Services</b>			
Premises	40	1	41
Supplies & Services	196	-	196
Third Party Payment	218	4	222
Other (including car allowances/ transport costs)	34	-	34
<b>Other Expenditure Total</b>	<b>488</b>	<b>5</b>	<b>493</b>
<b>Total Expenditure</b>	<b>2,357</b>	<b>31</b>	<b>2,388</b>
<b>Income</b>			
<b>Public Health &amp; Protection Services</b>			
CCTV	-95	-1	-96
Licensing - Hackney Carriages	-168	-	-168
Licensing - Other (e.g trade license, work for other authorities)	-193	-4	-197
Other (e.g Community Safety Grants, environmental permits, work for other authorities)	-274	-12	-286
<b>Income Total</b>	<b>-730</b>	<b>-17</b>	<b>-747</b>
<b>Total Expenditure Summary</b>			
Public Health & Protection Services	2,357	31	2,388
<b>Total Expenditure</b>	<b>2,357</b>	<b>31</b>	<b>2,388</b>
<b>Net Direct Expenditure</b>	<b>1,627</b>	<b>14</b>	<b>1,641</b>
<b>Net Summary</b>			
<b>Public Health &amp; Protection Services</b>			
Income	-730	-17	-747
Expenditure	2,357	31	2,388
<b>Net</b>	<b>1,627</b>	<b>14</b>	<b>1,641</b>
<b>Net Direct Expenditure</b>	<b>1,627</b>	<b>14</b>	<b>1,641</b>



<b>BUILDING SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b>Employees</b>			
<b>Salaries &amp; Wages</b>			
Building Services	769	202	971
<b>Salary &amp; Wages Total</b>	<b>769</b>	<b>202</b>	<b>971</b>
<b>Agency</b>			
Building Services	-	-	-
<b>Agency Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Employees Total</b>	<b>769</b>	<b>202</b>	<b>971</b>
<b>Other Expenditure</b>			
<b>Building Services</b>			
Civic Centre Maintenance	204	36	240
Supplies & Services	133	36	169
Third Party Payment	179	-163	16
Other (including NNDR & utilities)	748	-13	735
<b>Other Expenditure Total</b>	<b>1,264</b>	<b>-104</b>	<b>1,160</b>
<b>Total Expenditure</b>	<b>2,033</b>	<b>98</b>	<b>2,131</b>
<b>Income</b>			
<b>Building Services</b>			
Meeting Rooms Lettings	-52	-1	-53
Other (including rents)	-102	-18	-120
<b>Income Total</b>	<b>-154</b>	<b>-19</b>	<b>-173</b>
<b>Total Expenditure Summary</b>			
Building Services	2,033	98	2,131
<b>Total Expenditure</b>	<b>2,033</b>	<b>98</b>	<b>2,131</b>
<b>Net Direct Expenditure</b>	<b>1,879</b>	<b>79</b>	<b>1,958</b>
<b>Net Summary</b>			
<b>Building Services</b>			
Income	-154	-19	-173
Expenditure	2,033	98	2,131
<b>Net</b>	<b>1,879</b>	<b>79</b>	<b>1,958</b>
<b>Net Direct Expenditure</b>	<b>1,879</b>	<b>79</b>	<b>1,958</b>

<b>LEISURE SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
<b>Controllable items</b>			
<b>Employees</b>			
<b>Salaries &amp; Wages</b>			
Support	355	-355	-
Riverside	1,836	224	2,060
Dovedale	106	2	108
South Woodham Ferrers	535	28	563
CSAC	445	5	450
Cultural Events	-	-	-
Hylands	528	14	542
Community Sport & Wellbeing	317	-11	306
<b>Salary &amp; Wages Total</b>	<b>4,122</b>	<b>-93</b>	<b>4,029</b>
<b>Agency</b>			
Support	-	-	-
Riverside	-	-	-
Dovedale	-	-	-
South Woodham Ferrers	-	-	-
CSAC	-	-	-
Cultural Events	-	-	-
Hylands	-	-	-
Community Sport & Wellbeing	-	-	-
<b>Agency Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Employees Total</b>	<b>4,122</b>	<b>-93</b>	<b>4,029</b>
<b>Other Expenditure</b>			
Support	50	-50	-
Riverside	1,073	-120	953
Dovedale	68	11	79
South Woodham Ferrers	467	5	472
CSAC	327	-25	302
Cultural Events	-	-	-
Hylands	546	-40	506
Community Sport & Wellbeing	73	-5	68
<b>Other Expenditure Total</b>	<b>2,604</b>	<b>-224</b>	<b>2,380</b>
<b>Total Expenditure</b>	<b>6,726</b>	<b>-317</b>	<b>6,409</b>
<b>Income</b>			
Support	-	-	-
Riverside	-2,478	-1,101	-3,579
Dovedale	-204	-9	-213
South Woodham Ferrers	-681	-13	-694
CSAC	-541	-18	-559
Cultural Events	-716	716	-
Hylands	-1,224	17	-1,207
Community Sport & Wellbeing	-205	87	-118
<b>Income Total</b>	<b>-6,049</b>	<b>-321</b>	<b>-6,370</b>
<b>Total Expenditure Summary</b>			
Support	405	-405	-
Riverside	2,909	104	3,013
Dovedale	174	13	187
South Woodham Ferrers	1,002	33	1,035
CSAC	772	-20	752
Cultural Events	-	-	-
Hylands	1,074	-26	1,048
Community Sport & Wellbeing	390	-16	374
<b>Total Expenditure</b>	<b>6,726</b>	<b>-317</b>	<b>6,409</b>
<b>Net Direct Expenditure</b>	<b>677</b>	<b>-638</b>	<b>39</b>

<b>LEISURE SERVICES</b>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
<b>Net Summary</b>			
<b>Support</b>			
Income	-	-	-
Expenditure	405	-405	-
<b>Net</b>	<b>405</b>	<b>-405</b>	<b>-</b>
<b>Riverside</b>			
Income	-2,478	-1,101	-3,579
Expenditure	2,909	104	3,013
<b>Net</b>	<b>431</b>	<b>-997</b>	<b>-566</b>
<b>Dovedale</b>			
Income	-204	-9	-213
Expenditure	174	13	187
<b>Net</b>	<b>-30</b>	<b>4</b>	<b>-26</b>
<b>South Woodham Ferrers</b>			
Income	-681	-13	-694
Expenditure	1,002	33	1,035
<b>Net</b>	<b>321</b>	<b>20</b>	<b>341</b>
<b>CSAC</b>			
Income	-541	-18	-559
Expenditure	772	-20	752
<b>Net</b>	<b>231</b>	<b>-38</b>	<b>193</b>
<b>Cultural Events</b>			
Income	-716	716	-
Expenditure	-	-	-
<b>Net</b>	<b>-716</b>	<b>716</b>	<b>-</b>
<b>Hylands</b>			
Income	-1,224	17	-1,207
Expenditure	1,074	-26	1,048
<b>Net</b>	<b>-150</b>	<b>-9</b>	<b>-159</b>
<b>Community Sport &amp; Wellbeing</b>			
Income	-205	87	-118
Expenditure	390	-16	374
<b>Net</b>	<b>185</b>	<b>71</b>	<b>256</b>
<b>Net Direct Expenditure</b>	<b>677</b>	<b>-638</b>	<b>39</b>

Revenue Reserves								APPENDIX 3
Description		Projection 2018/19	Original 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Purpose & Delegation
		£000	£000	£000	£000	£000	£000	
<b>Summary of Earmarked Reserves - To Support Future Revenue Expenditure</b>								
	1st April	6,611	6,157	8,387	5,298	6,522	7,878	A range of reserves for specific purposes eg Insurance claims
	Transfers out	-2,180	-918	-4,488	-175	-43	-4,358	
	Transfers In	1,726	3,148	1,399	1,399	1,399	1,399	
	31st March	6,157	8,387	5,298	6,522	7,878	4,919	
<b>Summary of Earmarked Revenue Reserves- to Support Capital Expenditure</b>								
	1st April	11,772	0	0	0	0	0	Funding from New Homes Bonus and other one off income
	Transfers out	-16,475	-5,749	-5,113	-3,881	-3,198	-3,348	Additionally the Council makes contributions to reserves to fund ongoing
	Transfers In	4,703	5,749	5,113	3,881	3,198	3,348	equipment
	31st March	0	0	0	0	0	0	
<b>General Fund Balance</b>								
	1st April	4,734	5,105	3,090	3,090	3,090	3,090	These are uncommitted working balances to meet the unforeseen needs
	Transfer	0	-1,500	0	0	0	0	of the Council.
	Expenditure	-30	-515					
	Transfers In	401	0	0	0	0	0	
	31st March	5,105	3,090	3,090	3,090	3,090	3,090	
<b>Total Chelmsford City Council Reserves (available to fund expenditure)</b>								
	1st April	23,117	11,262	11,477	8,388	9,612	10,968	
	Transfers out	-18,685	-8,682	-9,601	-4,056	-3,241	-7,706	
	Transfers In	6,830	8,897	6,512	5,280	4,597	4,747	
	31st March	11,262	11,477	8,388	9,612	10,968	8,009	

		Projection	Forecast	Forecast	Forecast	Forecast	Forecast	Purpose & Delegation
Description		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
		£000	£000	£000	£000	£000	£000	
<b>Earmarked Reserves - To Support Future Revenue Expenditure</b>								
Carry Forwards	1st April	515	142	0	0	0	0	<u>Purpose</u>
	Transfers out	-373	-142					These are working balances arising from the carry forward policy, set out in financial regulations
	Transfers In							<u>Delegation</u>
	31st March	142	0	0	0	0	0	Relevant Director & Cabinet member
Contingency & Equalisation	1st April	3,339	3,491	3,042	3,042	3,042	3,042	<u>Purpose</u>
	Transfers out	-175	-467					To cover temporary income and expenditure fluctuations (including Business Rates )
	Transfers In	327	18					<u>Delegation</u>
	31st March	3,491	3,042	3,042	3,042	3,042	3,042	Cabinet
Cultural Support 'Fund'	1st April	160	160	160	160	160	160	<u>Purpose</u>
	Transfers out							To contribute to Cultural Services costs
	Transfers In							<u>Delegation</u>
	31st March	160	160	160	160	160	160	Relevant Director & Cabinet member
Digital Strategy Reserve	1st April	652	22	0	0	0	0	<u>Purpose</u>
	Transfers out	-630	-22					Support Digital Programme
	Transfers In							<u>Delegation</u>
	31st March	22	0	0	0	0	0	Relevant Director & Cabinet member
Hylands House Reserve	1st April	10	10	10	10	10	10	<u>Purpose</u>
	Transfers out							To contribute to Hylands House and Estate costs
	Transfers In							<u>Delegation</u>
	31st March	10	10	10	10	10	10	Relevant Director & Cabinet member
Growth Fund	1st April	97	97	97	97	97	97	<u>Purpose</u>
	Transfers out							
	Transfers In							<u>Delegation</u>
	31st March	97	97	97	97	97	97	Relevant Director & Cabinet member

		Projection	Forecast	Forecast	Forecast	Forecast	Forecast	Purpose & Delegation
Description		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
		£000	£000	£000	£000	£000	£000	
Insurance 'Fund'	1st April	941	711	912	912	912	912	<u>Purpose</u>
	Transfers out	-230	-30					To meet losses and policy excesses where more appropriate
	Transfers In		231					to insure internally than externally.
	31st March	711	912	912	912	912	912	<u>Delegation</u>
								Director of Financial Services in Consultation with Cabinet Member for Finance
Pension	1st April	137	1,236	3,635	676	2,075	3,474	<u>Purpose</u>
Cost Reserve	Transfers out	-300		-4,358			-4,358	To support the financing of the annual deficiency payments on the pension fund
	Transfers In	1,399	2,399	1,399	1,399	1,399	1,399	To fund one off staff costs e.g. flexible retirements, redundancy.
	31st March	1,236	3,635	676	2,075	3,474	515	<u>Delegation</u>
								Chief Executive, Director of Corporate Services for one off staff costs.
Local Development	1st April	577	105	348	218	43	0	<u>Purpose</u>
Framework	Transfers out	-472	-257	-130	-175	-43		To meet expenditure on the LDF
	Transfers In		500					<u>Delegation</u>
	31st March	105	348	218	43	0	0	Relevant Director & Cabinet member
Park and Ride	1st April	183	183	183	183	183	183	<u>Purpose</u>
	Transfers out							Contingency to smooth Park and Ride costs
	Transfers In							<u>Delegation</u>
	31st March	183	183	183	183	183	183	Relevant Director & Cabinet member
Total Earmarked								
Reserves for Revenue Purposes	1st April	6,611	6,157	8,387	5,298	6,522	7,878	
	Transfers out	-2,180	-918	-4,488	-175	-43	-4,358	
	Transfers In	1,726	3,148	1,399	1,399	1,399	1,399	
	31st March	6,157	8,387	5,298	6,522	7,878	4,919	

		Projection	Forecast	Forecast	Forecast	Forecast	Forecast	Purpose & Delegation
Description		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
		£000	£000	£000	£000	£000	£000	
<b>Earmarked Revenue Reserves- to Support Capital Expenditure</b>								
Asset Replacement Reserve	1st April	2,994	0	0	0	0	0	<u>Purpose</u>
	Transfers out	-4,718	-1,723	-1,873	-2,023	-2,173	-2,323	These are funds from revenue set aside to finance capital expenditure
	Transfers In	1,724	1,723	1,873	2,023	2,173	2,323	and one off revenue costs of capital schemes
	31st March	0	0	0	0	0	0	<u>Delegation</u>
								Director of Financial Services in Consultation with Cabinet Member for Finance
Chelmsford Development Fund	1st April	8,778	0	0	0	0	0	<u>Purpose</u>
	Expenditure	-11,757	-4,026	-3,240	-1,858	-1,025	-1,025	To support the ongoing development of the Chelmsford City area. New
								Homes Bonus plus other expected one off income will be added to the reserve
	Transfers In	2,979	4,026	3,240	1,858	1,025	1,025	<u>Delegation</u>
	31st March	0	0	0	0	0	0	Cabinet Decision
Revenue Reserves to Fund Capital Expenditure	1st April	11,772	0	0	0	0	0	
	Transfers out	-16,475	-5,749	-5,113	-3,881	-3,198	-3,348	
	Transfers In	4,703	5,749	5,113	3,881	3,198	3,348	
	31st March	0	0	0	0	0	0	
<b>General Fund Balance</b>								
								<u>Purpose</u>
	1st April	4,734	5,105	3,090	3,090	3,090	3,090	These are uncommitted working balances to meet the unforeseen needs
	Transfer	0	-1,500					of the Council.
	Expenditure	-30	-515					
	Transfers In	401						<u>Delegation</u>
	31st March	5,105	3,090	3,090	3,090	3,090	3,090	Normal Supplementary estimate rules (within constitution)
<b>BUSINESS RATE RETENTION SCHEME (these funds are <u>not</u> available for Chelmsford City Council Expenditure)</b>								
	1st April	37	191	2,839	2,839	2,839	2,839	<u>Purpose</u>
	Transfers out		-37					To meet one off costs arising from Business Rate Retention scheme
	Transfers In	154	2,685					<u>Delegation</u>
	31st March	191	2,839	2,839	2,839	2,839	2,839	To be used by Director of Finance as part of the annual closure of the Business Rate account

**FEES AND CHARGES REQUIRING APPROVAL -CEMETERY & CREMATORIUM FEES & CHARGES**

	01.04.18 to 31.03.19	01.04.19 to 31.03.20
	£	£
<b>Cemetery</b>		
<b>Exclusive Right of burial (ERofB) including the rights to place a memorial</b>		
Grave Purchase for 50 years	1,082.00	1,152.00
Grave Purchase for 50 years (prior to need)	2,163.00	2,304.00
Cremated remains plot purchase EROB including the rights to place a memorial - for 25 years	433.00	461.00

	01.04.18 to 31.03.19	01.04.19 to 31.03.20
	£	£
<b>Crematorium</b>		
<b>Cremation Fees - including organ (without organist). Including Music System</b>		
A person whose age exceeded sixteen years	730.00	777.00
A person whose age exceeded sixteen years – no service- that takes place before 9:30am	630.00	670.00
All cremations taking place - outside normal diary Monday to Friday (subject to agreement)	1,185.00	1,263.00
Body part with service	191.00	203.00
Body part - without service	142.00	151.00



PARISH/ TOWN COUNCIL	2018/19								2019/20							
	<-- PARISH PRECEPTS -->			<----- BAND D EQUIVALENTS ----->					<-- PARISH PRECEPTS -->			<----- BAND D EQUIVALENTS ----->				
	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes
	(1) £	(2) £	(3) £	£	(5) £	£	(4) £	(6) £	(1) £	(2) £	(3) £	£	(5) £	£	(4) £	(6) £
Great Baddow	410,200	-113	410,087	160.83	12.69	173.52	75.69	249.21	421,417	181	421,598	165.69	13.41	179.10	77.94	257.04
Little Baddow	43,410	-27	43,383	160.83	13.95	174.78	50.67	225.45	44,712	21	44,733	165.69	13.77	179.46	51.57	231.03
Boreham	86,263	-7	86,256	160.83	11.25	172.08	67.95	240.03	88,725	6	88,731	165.69	11.70	177.39	68.40	245.79
Broomfield	117,837	-38	117,799	160.83	16.92	177.75	55.44	233.19	131,014	-47	130,967	165.69	16.38	182.07	55.44	237.51
Chignal	6,680	5	6,685	160.83	14.40	175.23	29.61	204.84	7,385	8	7,393	165.69	14.31	180.00	32.22	212.22
Danbury	205,252	1	205,253	160.83	5.58	166.41	85.50	251.91	205,156	104	205,260	165.69	5.94	171.63	85.05	256.68
Galleywood	100,287	49	100,336	160.83	23.94	184.77	47.79	232.56	103,401	-42	103,359	165.69	24.39	190.08	49.23	239.31
Good Easter	7,100	2	7,102	160.83	4.14	164.97	40.50	205.47	9,544	1	9,545	165.69	4.50	170.19	55.35	225.54
East Hanningfield	33,820	-16	33,804	160.83	10.71	171.54	69.30	240.84	34,835	-18	34,817	165.69	11.16	176.85	71.10	247.95
South Hanningfield	84,152	43	84,195	160.83	3.96	164.79	71.82	236.61	84,152	-15	84,137	165.69	4.23	169.92	71.28	241.20
West Hanningfield	16,835	-1	16,834	160.83	16.38	177.21	36.63	213.84	23,300	-10	23,290	165.69	16.65	182.34	50.67	233.01
Highwood	25,515	1	25,516	160.83	12.69	173.52	79.38	252.90	25,515	1	25,516	165.69	12.69	178.38	80.55	258.93
Great & Little Leighs	30,000	-37	29,963	160.83	29.07	189.90	28.98	218.88	30,000	40	30,040	165.69	26.91	192.60	28.26	220.86
Margaretting	12,422	-2	12,420	160.83	14.94	175.77	32.40	208.17	12,420	-6	12,414	165.69	15.21	180.90	32.76	213.66
Mashbury	0	0	0	160.83	10.17	171.00	0.00	171.00	0	0	0	165.69	9.99	175.68	0.00	175.68
Pleshey	7,480	-4	7,476	160.83	19.62	180.45	55.26	235.71	7,506	3	7,509	165.69	19.44	185.13	54.45	239.58
Rettendon	35,000	12	35,012	160.83	12.78	173.61	47.25	220.86	36,144	25	36,169	165.69	12.87	178.56	47.25	225.81
Roxwell	15,000	10	15,010	160.83	1.35	162.18	33.21	195.39	15,000	17	15,017	165.69	1.53	167.22	32.40	199.62
Runwell	79,416	-40	79,376	160.83	2.79	163.62	51.39	215.01	89,538	42	89,580	165.69	2.97	168.66	53.55	222.21
Sandon	31,150	12	31,162	160.83	26.19	187.02	43.02	230.04	31,933	-29	31,904	165.69	26.37	192.06	44.28	236.34
Springfield	384,191	44	384,235	160.83	36.45	197.28	51.57	248.85	383,146	-149	382,997	165.69	36.00	201.69	50.31	252.00
Stock	42,840	30	42,870	160.83	12.96	173.79	36.27	210.06	43,696	-5	43,691	165.69	12.96	178.65	37.26	215.91
Great Waltham	44,880	-5	44,875	160.83	15.66	176.49	48.51	225.00	46,000	-18	45,982	165.69	15.93	181.62	50.22	231.84
Little Waltham	30,181	16	30,197	160.83	18.45	179.28	48.78	228.06	35,714	-3	35,711	165.69	18.36	184.05	54.81	238.86
South Woodham Ferrers	420,476	155	420,631	160.83	29.34	190.17	69.66	259.83	428,885	-215	428,670	165.69	29.43	195.12	70.92	266.04
Woodham Ferrers & Bicknacre	69,860	-29	69,831	160.83	3.96	164.79	57.69	222.48	74,610	38	74,648	165.69	4.14	169.83	61.29	231.12
Writtle	120,500	54	120,554	160.83	10.71	171.54	61.20	232.74	126,115	-19	126,096	165.69	11.25	176.94	63.27	240.21
Town Centre (non-Parished area)				160.83	43.38	204.21	0.00	204.21				165.69	43.47	209.16	0.00	209.16
<b>TOTALS</b>	<b>2,460,747</b>	<b>112</b>	<b>2,460,859</b>						<b>2,539,863</b>	<b>-89</b>	<b>2,539,774</b>					
	.....	.....	.....						.....	.....	.....					
<b>AVERAGE</b>						<b>189.09</b>	<b>37.57</b>	<b>226.66</b>						<b>194.02</b>	<b>38.09</b>	<b>232.11</b>
								.....								.....

**NOTES**

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

## **COUNCIL TAX RESOLUTION**

### **INTRODUCTION**

To set the 2019/20 Council Tax for Chelmsford City Council, the Council is asked to approve the information as set out in this Resolution.

#### **Council Tax**

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

Chelmsford City Council's council tax requirement is £12,935,754 after allowing for a deficit balance on the Collection Fund of £53,936. This results in an average Band D Council Tax of £194.02.

The Parish and Town Council precepts are detailed in the recommendation below and total £2,539,774. This results in an average Band D Council Tax figure of £38.09.

Essex County Council has proposed a precept of £84,703,119 after allowing for a deficit balance on the collection fund of £290,733. This results in a Band D Council Tax of £1,270.44.

Police, Fire and Crime Commissioner for Essex has proposed a precept of £12,865,081, after allowing for a deficit balance on the collection fund of £40,221. This results in a Band D Council Tax of £192.96.

Essex Police, Fire and Crime Commissioner Fire and Rescue Authority has proposed a precept of £4,830,406 after allowing for a deficit balance on the collection fund of £16,748. This results in a Band D Council Tax of £72.45.

The formal Council Tax Resolution is given below. If the Resolution is approved the Council Tax for 2019/20 will be as follows.

	<b>2018/19</b>	<b>2019/20</b>	<b>Increase</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Chelmsford City Council (average)	189.09	194.02	4.93	2.61%
Essex County Council	1,221.75	1,270.44	48.69	3.99%
Police, Fire and Crime Commissioner for Essex	169.02	192.96	23.94	14.16%
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	70.38	72.45	2.07	2.94%
	<hr/>	<hr/>	<hr/>	
	1,650.24	1,729.87	79.63	
Parish and Town Councils (average)	37.57	38.09	0.52	1.38%
	<hr/>	<hr/>	<hr/>	
<b>TOTAL</b>	<b>1,687.81</b>	<b>1,767.96</b>	<b>80.15</b>	

#### **Non Domestic Rates**

The Council is required to estimate the anticipated business rates income for 2019/20. This declaration is made through a statutory Government return (NNDR1). The anticipated income for the Council, declared on NNDR1, shows potential additional income of £1,669,319 above the baseline funding level for 2019/20 and an estimated surplus for previous years of £806,805. This surplus is made up of final reconciled surplus for prior years up to 2017/18 of £618,580 that the Council will retain and an estimated surplus for 2018/19 of £188,225, that will not be certain until the end of the financial year. The estimated net additional income for 2019/20, is thus estimated to be £2,476,124.

The Council is part of an Essex Business Rates pool that enables the pooling authorities to reduce the levy that is due to the Government on growth income above the baseline funding level. The level of levy saving that the pool achieves is dependent on business rates income collected by all member authorities and therefore difficult to predict. The Council is estimating to receive an additional £789,561 in levy saved from the Pool in 2019/20.

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

The following be approved :-

1	(a)	Council Tax Requirement for 2019/20	£
		Chelmsford City Council	12,935,754
		Parish and Town Councils	2,539,774
		Total Council Tax requirement	<u>£15,475,528</u>
	(b)	The individual Parish budgets were set out in Appendix 5 of the Council report	
2		It be noted that the Director of Financial Services, under delegated authority, calculated the following amounts as its Council Tax base for the year 2019/20 in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 made under Section 31B(3) of the Act.	
	(a)	The amount calculated by the Council, in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the year.	<u>66,672.27</u>
	(b)	Part of the Council's area (Parish or Town Council, or the Town Centre)	2019/20
			Tax Base
			(Band D
			equivalent)
		GREAT BADDOW	5,409.26
		LITTLE BADDOW	867.43
		BOREHAM	1,297.24
		BROOMFIELD	2,362.32
		CHIGNAL	229.47
		DANBURY	2,413.40
		GALLEYWOOD	2,099.51
		GOOD EASTER	172.45
		EAST HANNINGFIELD	489.70
		SOUTH HANNINGFIELD	1,180.37
		WEST HANNINGFIELD	459.63
		HIGHWOOD	316.78
		GT. & LITTLE LEIGHS	1,063.00
		MARGARETTING	378.94
		MASHBURY	45.56
		PLESHEY	137.90
		RETTENDON	765.48
		ROXWELL	463.47
		RUNWELL	1,672.82
		SANDON	720.50
		SPRINGFIELD	7,612.75
		STOCK	1,172.61
		GT. WALTHAM	915.60
		LT. WALTHAM	651.53
		SOUTH WOODHAM FERRERS	6,044.41
		WOODHAM FERRERS & BICKNACRE	1,217.95
		WRITTLE	1,992.98
			42,153.06
		special expense area of	
		TOWN CENTRE (non Parished area)	24,519.21
			<u>66,672.27</u>

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

3		The following amounts be now calculated by the Council for the year 2019/20 in accordance with Sections 30 to 36 of the Act:-	
			£
	(a)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (2)(a) to (f) of the Act	145,177,659
	(b)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act	-129,702,131
	(c)	The amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year (including parish precepts)	15,475,528
	(d)	The amount at 3(c) above divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year (including parish precepts)	232.11
	(e)	The aggregate amount of all special items referred to in Sections 34(1) and 35 of the Act	4,428,900
	(f)	The amount at 3(d) above less the amount given by dividing the amount at 3(e) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates (excluding parish precepts)	165.69

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

	Basic Council Tax per Band D £	<--- Special Items --->		TOTAL per Band D £
		Special Expenses per Band D £	Parish Precepts per Band D £	
GREAT BADDOW	165.69	13.41	77.94	257.04
LITTLE BADDOW	165.69	13.77	51.57	231.03
BOREHAM	165.69	11.70	68.40	245.79
BROOMFIELD	165.69	16.38	55.44	237.51
CHIGNAL	165.69	14.31	32.22	212.22
DANBURY	165.69	5.94	85.05	256.68
GALLEYWOOD	165.69	24.39	49.23	239.31
GOOD EASTER	165.69	4.50	55.35	225.54
EAST HANNINGFIELD	165.69	11.16	71.10	247.95
SOUTH HANNINGFIELD	165.69	4.23	71.28	241.20
WEST HANNINGFIELD	165.69	16.65	50.67	233.01
HIGHWOOD	165.69	12.69	80.55	258.93
GT. & LITTLE LEIGHS	165.69	26.91	28.26	220.86
MARGARETTING	165.69	15.21	32.76	213.66
MASHBURY	165.69	9.99	0.00	175.68
PLESHEY	165.69	19.44	54.45	239.58
RETTENDON	165.69	12.87	47.25	225.81
ROXWELL	165.69	1.53	32.40	199.62
RUNWELL	165.69	2.97	53.55	222.21
SANDON	165.69	26.37	44.28	236.34
SPRINGFIELD	165.69	36.00	50.31	252.00
STOCK	165.69	12.96	37.26	215.91
GT. WALTHAM	165.69	15.93	50.22	231.84
LT. WALTHAM	165.69	18.36	54.81	238.86
SOUTH WOODHAM FERRERS	165.69	29.43	70.92	266.04
WOODHAM FERRERS & BICKNACRE	165.69	4.14	61.29	231.12
WRITTLE	165.69	11.25	63.27	240.21
special expense area of TOWN CENTRE (non Parished area)	165.69	43.47	0.00	209.16

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

(h) Valuation Bands

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

- 4 It be noted that for the year 2019/20 Essex County Council, the Police, Fire and Crime Commissioner for Essex and the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown below:-

<u>PRECEPTING AUTHORITY</u>	<----- VALUATION BANDS ----->							
	A £	B £	C £	D £	E £	F £	G £	H £
Police, Fire and Crime Commissioner for Essex	128.64	150.08	171.52	192.96	235.84	278.72	321.60	385.92
Essex Police, Fire and Crime Commissioner Fire and Rescue Authority	48.30	56.35	64.40	72.45	88.55	104.65	120.75	144.90
Essex County Council	846.96	988.12	1,129.28	1,270.44	1,552.76	1,835.08	2,117.40	2,540.88

- 5 Having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the amounts detailed in Annex B attached as the amounts of council tax for the year 2019/20 for each of the categories of dwellings shown.

**ANNEX A: Chelmsford City Council - Council taxes 2019/20 - Excluding Essex County Council, Police, Fire & Crime  
Commissioner for Essex & Essex Police, Fire and Crime Commissioner Fire and Rescue Authority**

Parish of:-	----- VALUATION BANDS ----->							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
GREAT BADDOW	171.36	199.92	228.48	257.04	314.16	371.28	428.40	514.08
LITTLE BADDOW	154.02	179.69	205.36	231.03	282.37	333.71	385.05	462.06
BOREHAM	163.86	191.17	218.48	245.79	300.41	355.03	409.65	491.58
BROOMFIELD	158.34	184.73	211.12	237.51	290.29	343.07	395.85	475.02
CHIGNAL	141.48	165.06	188.64	212.22	259.38	306.54	353.70	424.44
DANBURY	171.12	199.64	228.16	256.68	313.72	370.76	427.80	513.36
GALLEYWOOD	159.54	186.13	212.72	239.31	292.49	345.67	398.85	478.62
GOOD EASTER	150.36	175.42	200.48	225.54	275.66	325.78	375.90	451.08
EAST HANNINGFIELD	165.30	192.85	220.40	247.95	303.05	358.15	413.25	495.90
SOUTH HANNINGFIELD	160.80	187.60	214.40	241.20	294.80	348.40	402.00	482.40
WEST HANNINGFIELD	155.34	181.23	207.12	233.01	284.79	336.57	388.35	466.02
HIGHWOOD	172.62	201.39	230.16	258.93	316.47	374.01	431.55	517.86
GT. & LITTLE LEIGHS	147.24	171.78	196.32	220.86	269.94	319.02	368.10	441.72
MARGARETTING	142.44	166.18	189.92	213.66	261.14	308.62	356.10	427.32
MASHBURY	117.12	136.64	156.16	175.68	214.72	253.76	292.80	351.36
PLESHEY	159.72	186.34	212.96	239.58	292.82	346.06	399.30	479.16
RETTENDON	150.54	175.63	200.72	225.81	275.99	326.17	376.35	451.62
ROXWELL	133.08	155.26	177.44	199.62	243.98	288.34	332.70	399.24
RUNWELL	148.14	172.83	197.52	222.21	271.59	320.97	370.35	444.42
SANDON	157.56	183.82	210.08	236.34	288.86	341.38	393.90	472.68
SPRINGFIELD	168.00	196.00	224.00	252.00	308.00	364.00	420.00	504.00
STOCK	143.94	167.93	191.92	215.91	263.89	311.87	359.85	431.82
GT. WALTHAM	154.56	180.32	206.08	231.84	283.36	334.88	386.40	463.68
LT. WALTHAM	159.24	185.78	212.32	238.86	291.94	345.02	398.10	477.72
SOUTH WOODHAM FERRERS	177.36	206.92	236.48	266.04	325.16	384.28	443.40	532.08
WOODHAM FERRERS & BICKNACRE	154.08	179.76	205.44	231.12	282.48	333.84	385.20	462.24
WRITTLE	160.14	186.83	213.52	240.21	293.59	346.97	400.35	480.42
special expense area of								
TOWN CENTRE (non Parished area)	139.44	162.68	185.92	209.16	255.64	302.12	348.60	418.32

**ANNEX B: Chelmsford City Council - Council taxes 2019/20 - At taxpayer level**

Parish of:-	----- VALUATION BANDS ----->							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
GREAT BADDOW	1,195.26	1,394.47	1,593.68	1,792.89	2,191.31	2,589.73	2,988.15	3,585.78
LITTLE BADDOW	1,177.92	1,374.24	1,570.56	1,766.88	2,159.52	2,552.16	2,944.80	3,533.76
BOREHAM	1,187.76	1,385.72	1,583.68	1,781.64	2,177.56	2,573.48	2,969.40	3,563.28
BROOMFIELD	1,182.24	1,379.28	1,576.32	1,773.36	2,167.44	2,561.52	2,955.60	3,546.72
CHIGNAL	1,165.38	1,359.61	1,553.84	1,748.07	2,136.53	2,524.99	2,913.45	3,496.14
DANBURY	1,195.02	1,394.19	1,593.36	1,792.53	2,190.87	2,589.21	2,987.55	3,585.06
GALLEYWOOD	1,183.44	1,380.68	1,577.92	1,775.16	2,169.64	2,564.12	2,958.60	3,550.32
GOOD EASTER	1,174.26	1,369.97	1,565.68	1,761.39	2,152.81	2,544.23	2,935.65	3,522.78
EAST HANNINGFIELD	1,189.20	1,387.40	1,585.60	1,783.80	2,180.20	2,576.60	2,973.00	3,567.60
SOUTH HANNINGFIELD	1,184.70	1,382.15	1,579.60	1,777.05	2,171.95	2,566.85	2,961.75	3,554.10
WEST HANNINGFIELD	1,179.24	1,375.78	1,572.32	1,768.86	2,161.94	2,555.02	2,948.10	3,537.72
HIGHWOOD	1,196.52	1,395.94	1,595.36	1,794.78	2,193.62	2,592.46	2,991.30	3,589.56
GT. & LITTLE LEIGHS	1,171.14	1,366.33	1,561.52	1,756.71	2,147.09	2,537.47	2,927.85	3,513.42
MARGARETTING	1,166.34	1,360.73	1,555.12	1,749.51	2,138.29	2,527.07	2,915.85	3,499.02
MASHBURY	1,141.02	1,331.19	1,521.36	1,711.53	2,091.87	2,472.21	2,852.55	3,423.06
PLESHEY	1,183.62	1,380.89	1,578.16	1,775.43	2,169.97	2,564.51	2,959.05	3,550.86
RETTENDON	1,174.44	1,370.18	1,565.92	1,761.66	2,153.14	2,544.62	2,936.10	3,523.32
ROXWELL	1,156.98	1,349.81	1,542.64	1,735.47	2,121.13	2,506.79	2,892.45	3,470.94
RUNWELL	1,172.04	1,367.38	1,562.72	1,758.06	2,148.74	2,539.42	2,930.10	3,516.12
SANDON	1,181.46	1,378.37	1,575.28	1,772.19	2,166.01	2,559.83	2,953.65	3,544.38
SPRINGFIELD	1,191.90	1,390.55	1,589.20	1,787.85	2,185.15	2,582.45	2,979.75	3,575.70
STOCK	1,167.84	1,362.48	1,557.12	1,751.76	2,141.04	2,530.32	2,919.60	3,503.52
GT. WALTHAM	1,178.46	1,374.87	1,571.28	1,767.69	2,160.51	2,553.33	2,946.15	3,535.38
LT. WALTHAM	1,183.14	1,380.33	1,577.52	1,774.71	2,169.09	2,563.47	2,957.85	3,549.42
SOUTH WOODHAM FERRERS	1,201.26	1,401.47	1,601.68	1,801.89	2,202.31	2,602.73	3,003.15	3,603.78
WOODHAM FERRERS & BICKNACRE	1,177.98	1,374.31	1,570.64	1,766.97	2,159.63	2,552.29	2,944.95	3,533.94
WRITTLE	1,184.04	1,381.38	1,578.72	1,776.06	2,170.74	2,565.42	2,960.10	3,552.12
special expense area of								
TOWN CENTRE (non Parished area)	1,163.34	1,357.23	1,551.12	1,745.01	2,132.79	2,520.57	2,908.35	3,490.02

- 6 The increase in Chelmsford City Council's relevant basic amount of Council Tax for 2019/20 is £4.93 (2.61%), which is below the guideline increase issued in accordance with the provisions of section 52ZB Local Government Finance Act 1992. The increase is therefore not excessive.

Parish and Town Council	Council Tax required		<--- Band D --->		
	2018/19	2019/20	2018/19	2019/20	Increase
	£	£	£	£	%
Great Baddow	410,087	421,598	75.69	77.94	2.97%
Little Baddow	43,383	44,733	50.67	51.57	1.78%
Boreham	86,256	88,731	67.95	68.40	0.66%
Broomfield	117,799	130,967	55.44	55.44	0.00%
Chignal	6,685	7,393	29.61	32.22	8.81%
Danbury	205,253	205,260	85.50	85.05	-0.53%
Galleywood	100,336	103,359	47.79	49.23	3.01%
Good Easter	7,102	9,545	40.50	55.35	36.67%
East Hanningfield	33,804	34,817	69.30	71.10	2.60%
South Hanningfield	84,195	84,137	71.82	71.28	-0.75%
West Hanningfield	16,834	23,290	36.63	50.67	38.33%
Highwood	25,516	25,516	79.38	80.55	1.47%
Great & Little Leighs	29,963	30,040	28.98	28.26	-2.48%
Margaretting	12,420	12,414	32.40	32.76	1.11%
Mashbury	0	0	0.00	0.00	0.00%
Pleshey	7,476	7,509	55.26	54.45	-1.47%
Rettendon	35,012	36,169	47.25	47.25	0.00%
Roxwell	15,010	15,017	33.21	32.40	-2.44%
Runwell	79,376	89,580	51.39	53.55	4.20%
Sandon	31,162	31,904	43.02	44.28	2.93%
Springfield	384,235	382,997	51.57	50.31	-2.44%
Stock	42,870	43,691	36.27	37.26	2.73%
Great Waltham	44,875	45,982	48.51	50.22	3.53%
Little Waltham	30,197	35,711	48.78	54.81	12.36%
South Woodham Ferrers	420,631	428,670	69.66	70.92	1.81%
Woodham Ferrers & Bicknacre	69,831	74,648	57.69	61.29	6.24%
Writtle	120,554	126,096	61.20	63.27	3.38%
	<u>2,460,859</u>	<u>2,539,774</u>	1,375.47	1,429.83	

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CAPITAL AND INVESTMENT STRATEGY 2019/20

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1. On 29 January 2019 the Cabinet considered the attached report on the new Capital and Investment Strategy for 2019/20 and resolved as follows:

**“RECOMMENDED TO THE COUNCIL** that the Capital and Investment Strategy for 2019/20 set out in the report to the meeting be approved.”

2. **RECOMMENDED TO THE COUNCIL**

That the recommendations of the Cabinet on the Capital and Investment Strategy for 2019/20 be approved.

**CABINET**  
**29<sup>th</sup> January 2019**

**AGENDA ITEM 6.6**

<b>Subject</b>	<b>CAPITAL AND INVESTMENT STRATEGY 2019/2020</b>
<b>Report by</b>	Cabinet Member for Finance

**Enquiries contact:** Phil Reeves, Chief Accountant ([phil.reeves@chelmsford.gov.uk](mailto:phil.reeves@chelmsford.gov.uk) , 01245 606562)

**Purpose**

The Council is legally required to receive a Capital and Investment Strategy.

**Options**

1. Approve the strategy report
2. Recommend changes to the way by which the Council's investments are to be made and managed

**Recommendation(s)**

It is recommended that the Cabinet accepts the report and recommends to Council the Strategy

**Corporate Implications**

Legal:	The Government and CIPFA codes which are backed by legislation requires that a report is made to Members formally on investment activity. This report fulfils that obligation.
Financial:	This report links the approach to Revenue, Capital and Treasury Investment
Personnel:	None
Risk Management:	This report identifies the mitigations to the risks of undertaking any investment activity
Equalities and Diversity:	None



(For new or revised policies or procedures has an equalities impact assessment been carried out? Y/N)	
Health and Safety:	None
IT:	None
Other:	None

<b>Consultees</b>	None
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### Policies and Strategies

- Accounting Policies (e.g. capitalisation of expenditure)
- Treasury Management Strategy Report to Council
- Investment Strategy
- Capital Programme Report to Council
- Medium Term Financial Strategy
- Asset management plan

### Corporate Plan Priorities

The report relates to the following priorities in the Corporate Plan [tick the relevant box]

Attracting investment and delivering infrastructure	<input checked="" type="checkbox"/>
Facilitating suitable housing for local needs	<input checked="" type="checkbox"/>
Providing high quality public spaces	<input checked="" type="checkbox"/>
Promoting a more sustainable environment	<input checked="" type="checkbox"/>
Promoting healthier and more active lives	<input checked="" type="checkbox"/>
Enhancing participation in cultural activities	<input checked="" type="checkbox"/>

## 1. Background

- 1.1 This Capital Strategy and Investment Strategy are new statutory requirements for 2019/20. They give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how the associated risks are managed and the implications for the future financial sustainability of the Council. The Capital and Investment Strategy links Revenue, Capital and Treasury Management.
- 1.2 It is expected by both CIPFA and Government that Council will from their initial strategies evolve over the coming years a more prudent and sustainable approach to Council investment.
- 1.3 Councils are allowed to combine Capital Strategy and Investment Strategy. This is the approach taken at Chelmsford and is contained in **Appendix 1**.

List of Appendices

**Appendix 1 – CAPITAL AND INVESTMENT STRATEGY 2019/20**

Background Papers

Nil.

# Capital & Investment Strategy 2019/20

### Introduction

This Capital Strategy and Investment Strategy are both new statutory requirements for 2019/20 which have been combined in this single report. They give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how the associated risks are managed and the implications for the future financial sustainability of the Council.

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

- Accounting Policies (e.g. capitalisation of expenditure)
- Treasury Management Strategy Report to Council
- Capital Programme Report to Council
- Medium Term Financial Strategy
- Asset management plan

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

### Investment by Capital Expenditure

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

Capital Expenditure will be used to support the delivery of the Corporate Plan.

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

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

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

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

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

The process to run the bidding is set out in the annual budget guidelines and approved by Full Council in July each year.

In determining the viability of bids capital bids must include:

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

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

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

## 2. Loans and Investments for Service Purposes

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

There are no plans for the Council to purchase shares in a subsidiary or local service provider.

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

Category of borrower	31.3.2018 actual			2019/20
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Chelmsford City Football Club	£0.166m	£0.122m	£0.040m	£0.166m
BID Company	£0.054m	Nil	£0.054m	£0.044m
Maximum New loans if required.	Nil	Nil	Nil	£1.000m
<b>TOTAL LIMIT</b>	<b>£0.220m</b>	<b>£0.122m</b>	<b>£0.094m</b>	<b>£1.210m</b>

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

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

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

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

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

### 3. Commercial Activities

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

The Council's current commercial property investments are summarised below

Property Type	31.3.2018 actual		31.3.2019 expected	
	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Retail	£0.38m	£56.50m	Nil	£56.50m
Industrial	£0.05m	£3.39m	Nil	£3.39m
Office	£0.00m	£8.18m	Nil	£16.99m
Other	£0.13m	£5.15m	Nil	£5.83m
<b>TOTAL</b>	<b>£0.56m</b>	<b>£73.22m</b>	<b>Nil</b>	<b>£82.71m</b>

The Council's capital budget proposals include a budget for developing industrial units at Galleywood Hall this is being undertaken for both reasons of economic development and making a return. The Council does purchase commercial property for the partial or sole aim of generating profit. The principal risk of such investments include:

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

Governance: The purchase of commercial property usually requires the Council to act rapidly therefore decisions on commercial property investments are likely to be made by the Chief

Executive or Director of Finance after consultation with the Leader. All decisions will have to be within standard financial rules such as an appropriate budget being available.

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

In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. The Council has held many of its assets for decades and the purchase values are not known or if included would distort comparisons, so assets that are below their purchase value are reported by exception, currently there are none.

A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2018/19 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

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

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

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

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

### Methods of Capital Financing

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

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

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

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

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

There may be times within the Council's forecast of the funding of the capital programme where there is a temporary shortfall in capital resources and temporary borrowing may be necessary to cover the shortfall. This may arise from capital receipts being delayed or their planned delivery not in line with the delivery of the capital programme. These temporary periods of borrowing do have risks if the capital income does not arrive as expected.

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

In 2019/20 budget, the Council is planning capital expenditure of as summarised below:

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
Replacement Programme	£0.746m	£4.237m	<b>£3.534m</b>	£5.642m	£3.370m
Capital Projects	£13.209m	£41.783m	<b>£13.683m</b>	£4.309m	£0.042m
Loans and Investments for Service Purposes					
Commercial Activities	£3.926m	£9.490m	<b>£1.200m</b>		
Unapproved potential new capital projects		£0.280m	<b>£4.100m</b>	£2.000m	£10.350m
Unapproved potential new commercial activities			<b>£0.500m</b>	£5.500m	£0.500m
<b>TOTAL</b>	<b>£17.881m</b>	<b>£55.790m</b>	<b>£23.017m</b>	<b>£17.451m</b>	<b>£14.262m</b>

The projected programme above includes provisions for:

- Unapproved potential new capital projects; £8m of provision for unidentified schemes and provision for possible new infrastructure for new Cemetery and Crematorium infrastructure.
- Unapproved potential new commercial activities includes allowance for; £5m commercial property purchase and works to existing Council owned commercial premises.

- Commercial Activities includes; Purchase of 109 Waterhouse lane (2017/18), Visteon 2018/19 and construction of Galleywood Hall Industrial units 2019/20.

Financing of the programme is currently planned as

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Capital Receipts	£13.633m	£16.960m	<b>£7.565m</b>	£11.541m	£9.016m
Grants and Contributions	£3.814m	£17.672m	<b>£3.580m</b>	£0.678m	£0.000m
Revenue Contributions	£0.434m	£15.006m	<b>£6.169m</b>	£4.974m	£4.042m
Internal Borrowing		£5.736m	<b>£5.703m</b>		
Finance Leases		£0.416m		£0.258m	£1.204m
<b>TOTAL</b>	<b>£17.881m</b>	<b>£55.790m</b>	<b>£23.017m</b>	<b>£17.451m</b>	<b>£14.262m</b>

### Treasury Management Investment

The Council has cash to invest arising from its revenue activities, capital balances and the collection of Council Tax and NDR. This cash can be usefully invested to produce a return to help support services. The activities around the management of this cash are known as Treasury Management. Treasury activity of the Council will achieve in order of priority: security of capital, liquidity and return, so the priority will be to always have sufficient cash or borrowing facilities in place to enable Council activities to continue.

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

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

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

CIPFA recommends that an organisation's adopts the following treasury management policy statement to define the policies and objectives of its treasury management activities:

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

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

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

For treasury investments the Council is required to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the



near term is invested securely, for example with the government, other local authorities, short term highly secure pooled investments or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer (core cash) could perhaps be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation, this determined in the Council's Treasury Management Strategy.

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

Year End	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Near-term investments	£61m	£19m	£18m	£27m	£28m
Longer-term investments	£13m	£13m	£18m	£18m	£18m
<b>TOTAL</b>	<b>£74m</b>	<b>£32m</b>	<b>£36m</b>	<b>£45m</b>	<b>£46m</b>
<b>Average Balance for Year</b>	<b>£85.9m</b>	<b>£73.3m</b>	<b>£47m</b>	<b>£51m</b>	<b>£52m</b>

### Borrowing strategy

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

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

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Leasing (Debt)	£0.000m	£0.357m	£0.298m	£0.460m	£1.396m
External Borrowing	£0.000m	£0.000m	£0.000m	£0.000m	£0.000m
<b>Total "External Borrowings"</b>	<b>£0.000m</b>	<b>£0.357m</b>	<b>£0.298m</b>	<b>£0.460m</b>	<b>£1.396m</b>
<b>Total Capital Financing Requirement (CFR)</b>	<b>£0.000m</b>	<b>£6.093m</b>	<b>£11.737m</b>	<b>£0.460m</b>	<b>£1.396m</b>
Internal Borrowing (makes up the difference between CFR and external borrowings)	£0.000m	£5.736m	£11.439m	£0.000m	£0.000m

The Government guidance identifies that local authorities should not borrow more than, or in advance of their needs purely in order to profit from investment of extra sums borrowed. It also makes clear that this extends to borrowing taken on to finance the acquisition of property or other forms of non-financial assets. Local authorities can acquire financial or non-financial assets from capitals receipts but should not repurpose receipts allocated to the acquisition of assets that contribute to service delivery to fund the purchase of investments, solely to avoid the requirements against borrowing in advance of need. However, the guidance does allow exceptionally for local authorities to disregard this provision with appropriate explanations contained in the Capital and Investment Strategy. The City Council will only undertake borrowing in need of advance where it believes that capital receipts will be available in medium term to repay the internal borrowing and to enable the effective and timely acquisition of assets.

The projected levels of debt reflect the plan to use capital receipts expected in 2020/21 to repay internal borrowings and any Minimum Revenue Provision (MRP) contributions made from the revenue budget. The Council is required to have a MRP policy which is in italics below:

*MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. For assets acquired by finance leases or the Private Finance Initiative, MRP can be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. This policy does not prevent the Council from making early or one off repayments of debt from Capital receipts or from revenue provisions.*

Planned repayments of debt are from

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
MRP	Nil	Nil	£0.2m	Nil	Nil
Finance Leasing MRP	£0.176m	£0.059m	£0.059m	£0.096m	£0.268m
Capital Receipts				£11.439m	

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

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

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit - external borrowing	£8m	£10m	£10m	£10m
Authorised limit - leases	£5m	£10m	£10m	£10m
Authorised limit - total external debt	£13m	£20m	£20m	£20m
Operational boundary - external borrowing	Nil	Nil	Nil	Nil
Operational boundary - leases	£0.00m	£0.36m	£0.30m	£0.46m
Operational boundary - total external debt	£0.00m	£0.36m	£0.30m	£0.46m

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the annual

treasury management strategy approved by Council. Three times a year the Treasury Management Sub committee meets to review activity, any new material issues, recommend new strategy and review year end performance.

### **Sustainability - Capital Funding**

The Council has for over 10 years made annual revenue contributions to the Asset Replacement Reserve (ARR) which in turn are used to fund capital expenditure. The objective is that over the long term the annual contribution from revenue will become sufficient to fund the annual capital replacement programme. The annual spend on the replacement programme differs each year but currently the target is some £2m per annum of revenue contributions that are needed. Whenever it has proved affordable the revenue contribution has been increased to move towards the goal of £2m per annum.

The Council's capital financing for 2018/19 and 2019/20 is projected to be reliant on internal borrowing but in 2020/21 planned asset are intended to repay this borrowing.

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

Maintaining in the medium term the Council's capital investment and avoiding any long-term material- borrowing will require the Council to continue to deliver new streams of external funding such as grant and asset sales of a significant value.

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

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
Asset sales	£15.393m	£0.678m	<b>£7.265m</b>	£25.000m	£9.000m
Less Repaid Internal Borrowings	£0.000m	£0.000m	<b>£0.000m</b>	£11.439m	£0.000m
<b>TOTAL</b>	£15.393m	£0.678m	<b>£7.265m</b>	£13.561m	£9.000m

The material disposals include John Shennan open space, Lockside parcels of land and Riverside old pool site.

The Council's capital programme funding approach is sustainable as demonstrated by:

- the objective of funding all replacement equipment from use of revenue contributions or some form of short term borrowing i.e. leasing
- the current proposed levels of debt (excluding leasing) are currently planned to be repaid from capital receipts in the next 2 years
- the ability to manage the consequences of delays to expected receipts and contributions used to fund the capital programme. This will be by if necessary short term internal or external borrowing. The cost of the short-term debt will be minimal and any MRP can be funded from contributions from the contingency reserve.

## Sustainability - Management of Capital Assets

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

Effective asset management will ensure that all Council property is used to effectively deliver the Corporate objectives. This will include examining costs and opportunities of holding each property. The Major Projects and Performance Review Group (formerly Commercial Activity Steering Group) will receive regular reports of Performance of the Council's key commercial/investment property holdings.

### Proportionality & Revenue Budget Implications

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

Total investment exposure	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management Core investments	£61m	£19m	£18m
Treasury Management Cash Short term Investments	£13m	£13m	£18m
Service investments: Loans	£0.166m	£0.210m	£0.200m
Service investments: Shares	Nil	Nil	Nil
Commercial investments: Property	£73.220m	£82.710m	£79.730m
Commitments to lend	Nil	Nil	Nil
Guarantees issued on loans	Nil	Nil	Nil
TOTAL EXPOSURE	£147.386m	£114.920m	£115.930m

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

The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

<b>Investments funded by borrowing</b>	<b>31.03.2018 Actual</b>	<b>31.03.2019 Forecast</b>	<b>31.03.2020 Forecast</b>	<b>31.03.2021</b>
Treasury management investments	Nil	Nil	Nil	Nil
Service investments: Loans	Nil	Nil	Nil	Nil
Commercial investments: Property	Nil	£5.736m	£5.736m	Nil
<b>TOTAL FUNDED BY BORROWING</b>	Nil	£5.736m	£5.736m	Nil

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

<b>Estimates</b>	<b>2018/19 estimate</b>	<b>2019/20 estimate</b>	<b>2020/21 estimate</b>	<b>2021/22 estimate</b>
Income from Treasury Management as Percentage of Net Revenue Income	2.19%	1.66%	2.33%	2.33%
Total Borrowing Undertaken to Fund Investment Properties	£5.736m	£5.736m	£0.000m	£0.000m
Total Borrowing (All types) as percentage of All Assets	2.3%	4.5%	0.2%	0.5%
Financing Costs as Percentage of Total net revenue stream	0.18%	0.79%	0.29%	0.81%
Gross debt as percentage of Net Service Expenditure	19.05%	35.97%	1.38%	4.11%
Commercial Income as percentage of Net Service Expenditure	14.26%	16.08%	15.61%	15.31%

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

investments except for short term Treasury Management activity until appropriate alleviation of the breach is undertaken.

Limits	2018/19 Limit	2019/20 Limit	2020/21 Limits	2021/22 Limits
Gross debt as percentage of Net Service Expenditure	50.31%	66.62%	31.43%	33.57%
Commercial Income as percentage of Net Service Expenditure	20.33%	21.42%	21.33%	20.41%
Financing Costs as Percentage of Total net revenue stream	2.31%	2.91%	2.42%	2.94%

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred. The projected income for 2019/20 for Commercial Income is £5.2m and £0.5m from Treasury Investments.

#### *Investment rate of return*

Investments net rate of return	2017/18 Actual %	2018/19 Forecast %	2019/20 Forecast
Treasury management investments	0.82%	1.10%	1.20%
Service investments: Loans	Nil	Nil	Nil
Commercial investments: Property	5.86%	5.51%	6.58%
WEIGHTED AVERAGE ALL INVESTMENTS	3.32%	4.28%	4.91%

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

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

#### **Due Diligence**

A commonality of all types of investment will be the need to recognise where the Council is lacking detailed market knowledge and then external advisors will be employed. The Council uses Arlingclose

as Treasury Management Advisors and external property valuers are engaged when undertaking material purchases.

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## CAPITAL PROGRAMME UPDATE

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1. On 29 January 2019 the Cabinet considered the attached report on updates to the Capital Programme and resolved as follows:

**“RESOLVED** that the following be approved on grounds of urgency:

1. a net budget of £80,000 for the 2018/19 Asset Replacement Programme, as shown in Appendix 5 to the report to the meeting and as detailed in paragraph 4.3.2;
2. a budget of £56,000 for the acquisition of a vehicle in 2019/20, as described in paragraph 4.4.2 of the report;
3. a budget of £477,000 for the Beaulieu School Joint Use Sports Facility, as detailed in paragraph 2.3 of the report, and the use of appropriate Section 106 contributions to fund the scheme, as detailed in item 17 of Appendix 1; and
4. the appropriate Director, after consultation with the relevant Cabinet Member, be authorised to spend the approved capital budget and any future contributions collected for the Beaulieu School Joint Use Facility, and that the specific delegations set out in paragraphs 2.4.1, 2.4.2 and 3.4 of the report be agreed.

**RECOMMENDED TO THE COUNCIL** that:

5. the remaining new capital schemes shown in Appendix 1 totalling £4.407 million be approved;
6. the budgets of existing capital schemes, as detailed in Appendix 3, be agreed, representing an increase of £4.802 million;
7. the Asset Replacement Programme for 2019/20 detailed in Appendix 5 and amounting to £3.274 million be agreed;
8. the appropriate Section 106 contributions be used to fund the schemes, as detailed in the report;
9. the appropriate Director, after consultation with the relevant Cabinet Member, be authorised to spend the approved capital budgets, and that the specific delegations set out in paragraphs 2.4.1, 2.4.2 and 3.4 of the report be agreed.”

2. **RECOMMENDED TO THE COUNCIL**

That recommendations 5 to 9 of the Cabinet on the Capital Programme be approved.



**CABINET**  
**29th January 2019**

**AGENDA ITEM 6.7**

<b>Subject:</b>	<b>CAPITAL PROGRAMME UPDATE</b>
<b>Report by:</b>	Cabinet Member for Finance

**Enquiries contact:** Sue Jones Tel. (01245) 606519, Email (int./ext.)  
sue.jones@chelmsford.gov.uk

**Purpose**

The purpose of the report is to:-

- update members on the progress of existing capital schemes
- update members on the progress of the 2018/19 asset replacement programme
- propose new capital schemes
- propose the asset replacement programme for 2019/20

**Options**

- 1) Undertake all, some or none of the proposed capital schemes and then if necessary amend the Revenue Estimates report elsewhere on the agenda to take account of the impact of any changes
- 2) Delay new or existing schemes and if necessary amend the Revenue Estimates report elsewhere on the agenda
- 3) Undertake all, some or none of the proposed asset replacements and if necessary amend the Revenue Estimates report elsewhere on the agenda
- 4) Delay asset replacement schemes and amend Revenue Estimates elsewhere on the agenda
- 5) Agree the changes to the capital programme

**Recommendation(s)**

See over page

<p>1. That Cabinet approves the following for reasons of urgency:-</p> <ul style="list-style-type: none"> <li>i) As shown in <b>Appendix 5</b> and detailed in paragraph 4.3.2, a net £80k budget for the 2018/19 Asset Replacement Programme.</li> <li>ii) A £56k budget for the acquisition of a vehicle in 2019/20, as detailed in paragraph 4.4.2 of the report.</li> <li>iii) A £477k budget for S106 Beaulieu School Joint Use Sports Facility, as detailed in paragraph 2.3 of the report, and the use of appropriate S106 contributions to fund the scheme as detailed in <b>Appendix 1</b> item 17</li> <li>iv) Delegated authority – that the appropriate Director is authorised to spend the approved capital budget and any future contributions collected for Beaulieu School Joint Use Facility after consultation with their Cabinet Member. See paragraph 2.4.3 of the report for details of specific delegations.</li> </ul>	
<p>2. That Cabinet also recommends to the Council that:</p> <ul style="list-style-type: none"> <li>i) As shown in <b>Appendix 1</b> - the remaining new capital schemes are agreed - £4.407m (£4.884m less the £477k requested for approval in section 1 (ii) above)</li> <li>ii) As shown in <b>Appendix 3</b> - the budgets for existing capital schemes are agreed – an increase of £4.802m</li> <li>iii) As shown in <b>Appendix 5</b> - the asset replacement programme for 2019/20 is approved - £3.274m (£3.330m less the £56k requested for approval in section 1 (i) above).</li> <li>iv) The appropriate S106 contributions are used to fund the schemes as detailed in this report</li> <li>v) delegated authority – that the appropriate Director is authorised to spend the approved capital budgets after consultation with their Cabinet Member. See paragraph 2.4.1, 2.4.2 and 3.4 of the report for specific delegations.</li> </ul>	
<b>Corporate Implications</b>	
Legal:	None
Financial:	The proposals are part of the overall budget for 2018/19 and future years. Matching limited resources to corporate priorities and maintaining or increasing revenue income
Personnel:	None
Risk Management:	Individual Officers are responsible for managing budgets and that there is regular reporting of scheme progression and outcomes. Interest

	earnings understated and budget reductions made when not necessary. Damage to reputation
Equalities and Diversity:	None
Health and Safety:	None
IT:	None
Other:	None

<b>Consultees:</b>	All Services
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### **Policies and Strategies**

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

Capital and Investment Strategy and Medium Term Financial Strategy

### **Corporate Plan Priorities**

The report relates to the following priorities in the Corporate Plan [tick the relevant box]

Attracting investment and delivering infrastructure	<input checked="" type="checkbox"/>
Facilitating suitable housing for local needs	<input checked="" type="checkbox"/>
Providing high quality public spaces	<input checked="" type="checkbox"/>
Promoting a more sustainable environment	<input checked="" type="checkbox"/>
Promoting healthier and more active lives	<input checked="" type="checkbox"/>
Enhancing participation in cultural activities	<input checked="" type="checkbox"/>

## 1. Introduction

1.1 The capital programme was last formally reported to Council in July 2018 and Audit Committee in December 2018.

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

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

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

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

1.4 There are three sections to the Capital report:-

1. New Scheme Proposals – Details in **Appendix 1** and **2**
2. Revisions to Existing Approved Capital Schemes—Details in **Appendix 3** and **Appendix 4**
3. **Asset Replacement Programme – Details in Appendix 5 and Appendix 6**

## 2. New Scheme Proposals

2.1 Attached in **Appendix 1** are the capital cost and revenue implications of the proposed new schemes, for which a recommendation to full Council is required. The proposed new schemes requiring approval total £4.884m. There are third party and developer contributions available which will reduce the net cost to Chelmsford City Council to £4.384m.

2.2 In **Appendix 2** there is a narration for each of the new schemes.

2.3 S106 Beaulieu School Joint Use Sports Facility, detailed in **Appendix 1 and 2**, item number 17, requires early approval as the contribution will need to be paid to Essex County Council (ECC) in this financial year. Therefore, Cabinet are requested to approve the £477k.

## 2.4 Requests for Delegated Authority – **Appendix 2**

- 2.4.1 Paragraph 10 – Galleywood Hall Development S106 - a request that the Director of Financial Services be authorised to develop a scheme and spend the approved budget after consultation with the Leader and Cabinet Member for Finance.
- 2.4.2 Paragraph 11 – Acquisition of Land for New Cemetery and Crematorium - a request that the Director of Financial Services be authorised to source and acquire an appropriate piece of land and spend the approved budget after consultation with the Leader and Cabinet Member for Finance.
- 2.4.3 Paragraph 17 – S106 Beaulieu School Joint Use Sports Facility - a request that the Director of Sustainable Communities be authorised to spend the approved budget and that delegated authority is given to the Director of Sustainable Communities, after consultation with the Cabinet member for Planning and Economic Development, to make staged payments of any future sums collected for this facility to Essex County Council (ECC), to ensure that the project progresses.

## 3. Revisions to the Existing Approved Capital Schemes

- 3.1 The last formal monitoring report was taken to Council in July 2018 where the latest estimated budgets were approved.
- 3.2 Project Officers have been monitoring schemes and the updated budgets in **Appendix 3** reflect the latest cost information. The total estimated cost is £85.857m.
- 3.3 A summary of variations for current approved total scheme costs across all years is a net increase of £4.802m. Proposed increases in budget will require approval. Details of the £4.802m net increase are shown in **Appendix 3** with further details in **Appendix 4** where those variations are in excess of £25k.
- 3.4 Within the approved budget for the Acquisition of Wharf Road and Future Development is a sum of £250k earmarked for the Chelmer Waterside Link Road. Through the Housing Infrastructure Fund (marginal viability) the Government has in principle agreed to a funding award of £5.7m to deliver a new link road and bridge at Chelmer Waterside to facilitate housing delivery in this location. A final funding decision is expected in early 2019. In advance of that funding decision, there has been some pre-engagement with Essex Highways regarding the procurement and construction of the project. This would be a 3 stage contract process with the first stage dealing with project scope and feasibility. The following two stages would be for detailed design, tender and construction.

In order to progress with stage one, and in advance of the final funding decision from Government, it is requested that delegated authority is given to the Director of Sustainable Communities, after consultation with the Leader and Cabinet Member for Planning and Economic Development to agree a contract with Essex Highways for the 1st stage and to spend up to the £250k budget. Members should note that if the funding is not received, the scheme will not progress and any spend on the scheme will be a revenue cost to the Council.

- 3.5 The current approved budget for the Riverside Ice and Leisure Centre Project is £35.466m. This includes provision for all design fees and survey work, construction costs, utility and service costs, securing the necessary permits and permissions, supply and installation of all fixtures, fittings, equipment (£35.216m) and a contribution to café fit-out costs (£0.250m).

Expenditure on the main construction contract to date, based on the December 2018 submission, has been valued at £22.3m. However, given the amount of work still to be complete and the contractually valid delays to the programme, it is anticipated that the final account settlement for construction and some other costs will exceed the amount currently budgeted for. It is therefore, considered prudent to increase the budget available for this scheme by £4.5m.

These anticipated additional costs relate to the extension of time that will be allowable under the terms of the contract, (although not all of the claims have been approved) together with likely additional costs claimed by the contractor in respect of groundworks, asbestos removal, steelwork and cladding; a significant proportion of which will be valid. Negotiations over these claims are ongoing so a final scheme cost cannot, as yet, be given, but it is considered prudent to make an allowance for additional budget provision, whilst trying to avoid compromising the commercial sensitivity of these negotiations.

#### 4 Asset Replacement Programme

- 4.1 In order to maintain the existing level of service delivery it is necessary to replace items of equipment and vehicles on a regular basis.
- 4.2 Previously asset replacements have been approved as part of the overall programme. A decision has been taken to challenge the need for scheduled replacements to take place, and although an estimated overall cost of the asset replacement programme will be kept for forward planning purposes to enable the monitoring of the resource position, approval of individual items will be on an annual basis.

#### 4.3 2018/19 Asset Replacements

4.3.1 **Appendix 5** provides details of the 2018/19 asset replacement programme. The current approved programme is £5.137m. It has now been identified that £980k is required to be rephased to later years, £973k to 2019/20 and the balance to 2020/21, due to services deferring or delays in acquiring the assets. These assets require approval to be rephased to 2019/20. Details of these delays are provided in **Appendix 6**.

4.3.2 **Appendix 5** also shows a net change in scheme costs, a net increase of £80k. Increases to individual budgets will require approval. **Appendix 6** provides further details for those variations in excess of £25K.

4.3.3 After allowing for the above adjustments, **Appendix 5** shows the total proposed budget requirement for 2018/19 as £4.237m.

#### 4.4 2019/20 Replacements

4.4.1 As stated in paragraph 4.3.1, £973k will need to be rephased from 2018/19 to acquire the assets in 2019/20. There have been some increases in price on these assets and a further £10k will require approval. This is shown in **Appendix 5**.

4.4.2 **Appendix 5** provides details of the new proposed asset replacements for 2019/20 which total £1.997m and requires approval. Included within this figure is a sum of £56k for the replacement of a tractor, which for operational reasons will need to be delivered in April 2019. Due to the long lead in time for this vehicle, the service need to raise an order as soon as possible and therefore it is requested that Cabinet approves this budget. The remaining £1.941m will be recommended for approval by Council in February 2019.

4.4.3 After the above adjustments, **Appendix 5** shows the total proposed budget requirement for 2019/20 as £3.330m.

### 5. Capital and Revenue Resources

5.1 The Council funds its capital programme from leasing, contributions, government grants, capital receipts, revenue contributions (Asset Replacement Reserve) and Internal Borrowing. The Capital and Investment Strategy, agenda item number 6.6, identifies the capital resources position.

5.2 The decision regarding what types of funding sources are used to fund the capital programme will be made in the Capital Outturn report made to Cabinet and Council in July. The Council in this report is only being asked to approve the proposed capital expenditure on the basis that it is currently affordable.

- 5.3 The revenue implications of undertaking the new capital schemes are shown in **Appendix 1**. Additional income has been included in the Revenue Estimates proposed elsewhere on the agenda. The incremental impact of capital investment decisions on an average Band D Council Tax for the proposed new schemes once implemented is shown in **Appendix 1** as £1.61.
- 5.4 The Prudential Indicators are detailed in the Capital and Investment Strategy.
6. Conclusion
- 6.1 The capital proposals contained within this report have been reflected in the Revenue Estimates report elsewhere on this agenda.
- 6.2 The resourcing of the capital programme will need to be kept under review to ensure that provision is made for future replacements and potential new schemes.

Background Papers

None.

List of Appendices

**Appendix 1** – Capital Schemes – New Schemes Identified for Approval.

**Appendix 2** – Capital Schemes – New Schemes Identified for Approval Narrative.

**Appendix 3** – Approved Capital Schemes – for each capital scheme, a comparison of the latest approved estimate with the Directors of Service forecast for the scheme.

**Appendix 4** – Capital Scheme Variations Greater than £25,000.

**Appendix 5** – Asset Replacement Programme 2018/19 and 2019/20 – Asset Replacement Schemes for 2018/19, a comparison of the Directors of Service forecast against the latest approved estimate. Replacement schemes for 2019/20, a comparison against the latest approved estimate with the Directors of Service forecast and proposals for asset replacements.

**Appendix 6** – 2018/19 and 2019/20, Asset Replacement Programme Variations Greater than £25,000.



## CAPITAL PROGRAMME - New Schemes Identified for Approval

Details	2018/19	2019/20	2020/21	2021/22	2022/23	Later Years	Total Spend	Net	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Ongoing Revenue	Band D Equivalent
								£000s	
<b>New Schemes (see appendix 2 for details)</b>									
1 Legionella Safety Works to Showers and Changing Rooms at Andrews Park, Chelmer Park, Coronation Park, Saltcoats park		94					94	5.6	£0.09
2 Coval Lane Office Window Replacement		250					250	12.5	£0.19
3 Hylands Park North Kiosk Toilets Refurbishment		60					60	6.6	£0.10
4 Hylands' Estate Structural Works to the Pleasure Garden Pond		147					147	4.4	£0.07
5 Retail Market Service Yard LED Lighting		16					16	1.0	£0.02
6 Bridge Repairs		54	246				300	23.0	£0.35
7 Hylands Pavilion Audio Visual Equipment		57					57	-14.9	-£0.23
8 SWFLC Wet Changing Rooms Upgrade Phase 2		104					104	9.0	£0.14
9 Dovedale Studio - Grant		32					32	-7.7	-£0.12
10 Galleywood Hall Development Industrial Units		1,200					1,200	-30.0	-£0.46
11 Cemetery/Crematorium Land Acquisition		1,800					1,800	45.0	£0.69
12 Play Area Refurbishment Rumsey Fields, Danbury		51					51	3.9	£0.06
13 Play Area Refurbishment Golden Acres, Nth Springfield		30					30	2.3	£0.04
14 Refurbish First Floor Accommodation Hylands House		100	32	42			174	36.5	£0.56
15 Civic Centre Building Management System (BMS)		50					50	5.5	£0.08
16 CSAC Refurbishment of Changing Rooms		42					42	3.6	£0.05
17 S106 Beaulieu School Joint Use Sports Facility	338	139					477	0.0	£0.00
<b>Sub Total</b>	<b>338</b>	<b>4,226</b>	<b>278</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>4,884</b>	<b>106.3</b>	<b>£1.63</b>
S106 Contribution for Structural Works to the Pleasure Garden Pond		-23					-23	-1.5	-£0.02
S106 Beaulieu School Joint Use Sports Facility	-338	-139					-477	0.0	£0.00
<b>Total</b>	<b>0</b>	<b>4,064</b>	<b>278</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>4,384</b>	<b>104.8</b>	<b>£1.61</b>
Any Additional Income generated from these schemes has been included in the budget proposals as an adjustment from 2020/21									

## CAPITAL PROGRAMME - New Schemes Identified for Approval Narrative

Scheme	Details
1 Legionella Safety Works to Showers and Changing Rooms - Andrews Park, Chelmer Park, Coronation Park and Saltcoats Park	This proposal is to replace various elements of the shower systems in the parks' pavilions that have been raised on the legionella risk assessments. The Legionella works are regarded as recommendations on a health and safety basis to comply with current legislation. To ignore the recommendations of the risk assessments is not advised.
2 Coval Lane Offices Window Replacement	This proposal is to replace the windows and blinds in the Coval Lane Building on all elevations, including the timber cladding sections to stairwells. This project would primarily address the functionality of the windows as many are broken and beyond economical repair. Some of the windows and their frames are so weathered that they are starting to fall apart. Some months ago a rotten window sill was deemed so dangerous and liable to fall from the building that it was replaced as emergency work. Staff will need to be temporarily relocated in phases, to allow the work to take place. It is not advisable to defer this scheme.
3 Hylands park North Kiosk Toilet Refurbishment	The proposal is to completely refurbish the toilet facilities at the North end of Hylands Park. This would include renewing the facilities with resin based anti-vandal equipment and making the facility accessible. The current W/Cs are in very poor condition and receive many complaints, are hard to clean and suffer many repetitive faults. These facilities let down the aims of providing high quality public spaces, especially when a lot of investment has gone into the surrounding area and facilities. If the refurbishment is not undertaken, components will fail, possibly costing more to rectify in the long run, as well as having knock on implication of disruption to the service.

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
4 Hylands' Estate Structural Works to the Pleasure Garden Pond	<p>As background, the large Pleasure Gardens pond was restored as part of the last phase of Hylands Lottery funded restoration in 2006. The large pond is a key feature of the Pleasure Gardens and surrounded by a key network of pathways and connections to the remainder of the Garden. The pond edge and bank stabilisation work used oak post and boards. Unfortunately, this has decayed away and is collapsing, destabilising the banks and footpath above. Some areas have been fenced off because the areas are no longer safe for unrestricted public access.</p> <p>This Capital bid is for the permanent replacement of the large Pleasure Gardens revetments and stabilising of adjacent banks, pathways (including repair and relay) with an engineered long-lasting solution (as applied elsewhere; e.g. Admirals Park river and bridge edge, Central Park lake, etc.). It is proposed to use rock/stone filled gabions instead of the current wooden revetments, which will be long lasting (50 years plus). Safe and full public access will be restored whilst ensuring the large pond, as a key garden feature, is preserved for the future, thus contributing to the provision of high quality public spaces. There is a S106 budget of £22.6k which can be used towards the cost of this scheme. If this scheme is not approved the works to restore the pond edging will not be undertaken and the banks and footpath will continue to deteriorate and the edges will collapse into the pond, thus destroying the pond and its immediate surrounding. Public access will be restricted.</p>
5 Retail Market Service Yard LED Lighting	<p>The Condition Survey has identified that the lighting in the offices and service areas of the Retail Market are not LED. This scheme proposes to update the lighting, making the area brighter with lower usage of electricity. The better quality light that LED offers, will improve the safety of the area. The existing lights in the market service areas are mainly fluorescent tubes, so the reduction in electricity consumption would be around 45% (13w vs 8.5w). Also, a good quality tube should last for around 2,000 hours and the LED equivalent should last for 50,000 hours. If this project is deferred the existing lamps will continue to be replaced as and when required and there will be no energy saving.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme New Schemes (continued)	Details
6 Bridge Repairs	<p>These works are to carry out maintenance identified in the recent condition surveys to the following bridges:</p> <ol style="list-style-type: none"> <li>1. Bridge at Admirals Park / West Park near to Pitch and Putt</li> <li>2. Bridge at Central Park crossing to the rear of Essex Cricket Ground</li> <li>3. Footbridge between Baddow Road Car Park and Essex Record Office known as Bailey Bridge</li> <li>4. Footbridge at Meadows Surface Car Park crossing to Empire Walk</li> <li>5. Bridge at Baddow Road Car Park crossing to Meadows Surface Car Park</li> <li>6. Bridge at West Park crossing to Admirals Park</li> </ol> <p>All of these bridges are in public areas and there are possible health and safety issues if the conditions that are found are not addressed. The bridges are of a significant age and have not received regular maintenance for some time. If they are left to deteriorate, minor repairs will have to be made from revenue without an approved budget and if the repairs reach a critical level the bridge may have to be closed, causing disruption to residents and complaints.</p>
7 Hylands' Pavilion Audio Visual Equipment	<p>The proposal is to enhance the Hylands corporate and wedding packages by being able to offer the best technology possible. This would enable Hylands to draw in bigger businesses to host their conferences, generating more income for the Council. To meet the expectations of corporate and wedding hirers there is a need to improve the technology available. This will involve the use of 5 modern touch screens of various sizes to be used in the pavilion, banqueting room and 2 further flexible devices for other meeting rooms – these will replace the projector and screens currently in use. Such technology would enable Hylands to be aligned with the facilities at the Civic Centre with the aim of making the offer more attractive in order to further develop the corporate market. Additional income should be generated over the next few years as the total number of bookings made from new clients increases. It is anticipated that there will be £20k additional income based on an increase of 20 bookings in the first full year. If the technology is not invested in, the offer to customers will not be enhanced, meaning no extra value can be put on the corporate hire business and additional income will not be realised.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
8 South Woodham Ferrers Leisure Centre (SWFLC) Wet Changing Rooms Upgrade Phase 2	<p>A capital bid was submitted to carry out works to the swimming changing village in 2016/17 at a cost of £92k. This focused on the urgent items within the changing rooms, notably lockers and cubicles and this was successfully completed in December 2016. At the time prices were sought for a full range of other works to complete the refurbishment but these were not affordable within the budget and were viewed as a potential phase 2. Phase 2 was considered for 2018/19 but was not considered to be a high enough priority and was deferred. The works include new doors, showers and WC refurbishment. The full refurbishment of the changing village will enhance the facilities. Phase 1 was well received, but the changing rooms now look incomplete with a range of colours and finishes and areas of the changing room are showing their age (13 years). The facilities are very well used with centre attendances of around 250,000 per annum. It is hoped that this scheme will help to maintain the number of users of the centre. Completion of these rooms will improve the attractiveness of the pool, but additional income is not necessarily an outcome. Customers expect facilities to be at an acceptable standard and these works are therefore intended to preserve a satisfied customer base. As admission figures are recorded every month it will be possible to monitor what impact the scheme does have on usage. If the scheme is not approved the finishes will continue to show their age and the changing rooms will appear incomplete. Continued failure to complete these works will result in potential health &amp; safety risks, loss of reputation and a loss of income.</p>
9 Dovedales Studio Upgrade	<p>The studio at Dovedale Sport Centre is part of the joint use facilities and shared with Chelmsford College. The College maintain the building and have identified an urgent need to upgrade the studio to address the defective sprung flooring, windows, air con. unit (which has failed) and to generally upgrade the space to modern standards with lighting, mirrors etc. Replacement of the studio is not a statutory requirement, but there are elements (e.g. the floor) which will present a risk to customers if works are not addressed. The works would be carried out in late June or July 2019 before the school holidays and the activities carried out in the studio will move to the sports hall where there is spare capacity and this will avoid a loss of income during the works. The Council generates around £48k from this space and although well used, there is room to increase income with a more attractive offer. The cost estimate is £60k and the Council would be expected to meet 50% share (therefore a £30k contribution).</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
10 Galleywood Hall Development - Industrial Units	<p>The Council are preparing a planning application to develop this property as a small industrial centre, focused on providing suitable accommodation for start-up companies within the City. Chelmsford currently suffers from a shortage of such properties and it is believed that this development will provide much needed work space.</p> <p>The planned development will provide 8 new units totalling approximately 6,500 sq.ft. together with associated parking. The estimated total development cost is £1.2m and it is hoped that the development can be undertaken during 2019 pending the outcome of the planning process. It is estimated that a rental income of £90k will be achieved from these units. A more detailed business case will be prepared in due course. It is also requested that delegated authority is given to the Director of Financial Services, after consultation with the Leader and Cabinet member for Finance, to develop a scheme and spend the approved budget.</p>
11 Acquisition of Land for New Cemetery and Crematorium	<p>This proposal is for the acquisition of land to provide for a new cemetery and crematorium. Chelmsford City Council is the cremation and burial authority and requires a replacement for its crematorium and further burial space which cannot be accommodated on the current site. A further bid will be submitted for the infrastructure which will be associated with the provision of this facility. The provision of a cemetery is a statutory obligation. The acquisition of the land will enable the Council to provide a future facility to continue to undertake cremations and burials. It is hoped that the new facility will increase the number of cremations from 2200 to 2400 per annum and burials from 41 to 50 per annum E81 by 2028. This will generate additional income. If land is not acquired there may be a failure to provide future burial and cremation facilities. It is also requested that delegated authority is given to the Director of Financial Services, after consultation with the Leader and Cabinet member for Finance, to source and acquire an appropriate piece of land with the approved budget.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
12 Play Area Refurbishment Rumsey Fields, Danbury	<p>The existing play area is in poor condition and needs replacement as the equipment is reaching end of life. This is one of the next priorities in the 2012 Equipped Play Development Plan. It is a popular location, serves the south-eastern part of Danbury population area and is the only equipped play provision in the area. A local rationalisation of play provision has been carried out and Jubilee Rise Equipped Play Area was removed in 2015, leaving Potters Close and Rumsey Fields as equipped play provision. Without replacement of the equipment, the existing equipment will be removed as it becomes unsafe.</p>
13 Play Area Refurbishment Golden Acres, North Springfield	<p>The existing play area is in poor condition and needs replacement as the equipment is reaching end of life. This is one of the next priorities in the 2012 Equipped Play Development Plan. The Local Equipped Play Area is a popular location (for local children up to 8 years old and parents) serves the north-western part of North Springfield population area and is the only equipped play provision in the area without the need to cross major roads. A local rationalisation of play provision has been carried out and Martingale Drive and Shire Close equipped play area was removed in 2015. Without replacement of the equipment, the existing equipment will be removed as it becomes unsafe.</p>

## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
14 Refurbish First Floor Accomodation Hylands House	<p>This proposal is to enhance the wedding offer by refurbishing the current Bridal Suite and convert underutilised adjacent spaces to materially enhance its quality and range of facilities. Since the addition of the pavilion, wedding parties require more space and higher quality facilities. A bathroom facility will be created allowing for a significantly improved customer experience, utilising space unused at present. Feedback, from brides and grooms, is that they require additional space for pre wedding preparation and toilet/shower facilities are deemed to be essential. Additional spaces will be transformed into extra accommodation for wedding parties, enhancing the wedding offer. The cultural weddings that make up the majority of bookings, necessitate greater accommodation for the extended wedding party and presently these family members are changing in inappropriate rooms. The current one room bridal suite, will also have a refurbishment bringing all rooms in to line with each other. The availability of enhanced bridal facilities is an important factor in the choice of Hylands as a wedding venue. Without these works the Hylands offer will not be enhanced and there will be erosion in the position of Hylands in the regional wedding market, damage to reputation and constrained potential for revenue growth, as the facilities will not be of the standard for a prestigious venue.</p>
15 Civic Centre Building Management System	<p>The Condition Survey has identified that there are general communication problems with the current system and new valves and actuators are needed for the system to work effectively. The Trend controls used to monitor the system, are also very dated and need replacing. The ability to control the heating effectively means that only the required amount of energy is consumed. A saving in energy consumption should be demonstrated through meter readings. The scheme could be deferred to a later year but the efficiencies would be missed. There is also a risk of the system failing and costly emergency repairs being required.</p>



## CAPITAL PROGRAMME - New Schemes Identified for Approval

Scheme	Details
<b>New Schemes (continued)</b>	
16 Chelmsford Sports and Athletics Centre (CSAC) Refurbishment of Changing Rooms	<p>The existing changing rooms and toilets are the original facilities built in 2002. These facilities are now looking tired and do not reflect well on the overall quality of the facilities at CSAC. This scheme is therefore seeking to meet basic customer expectation for toilet and changing facilities and failure to complete such works could impact on customers using the facilities. There could be a long term detrimental effect on signing new members if not refurbished. Eventually there would be Health and safety implications for users if the works proposed are not carried out. The works will comprise of new cubicles, sinks, lockers, re-tiling and decoration. The facilities are very well used with centre attendances of around 250,000 per annum. A refurbishment of this nature does not normally generate additional footfall or income. There is the potential of generating additional income (eg signing new gym members) but this is not to be relied upon. Equally there is the potential of a reduction in income should the works not be delivered, but again this is not quantifiable. The reason for carrying out such works is to maintain acceptable standards for a facility of this type and meet customer expectation. Admission figures are recorded monthly so if there is an increase/decrease in users this would be monitored. If the scheme is not approved the finishes will continue to show their age which may eventually result in potential Health &amp; Safety risks, loss of reputation and a loss of income. This can be treated in the short term with repairs, maintenance and additional cleaning to keep standards as high as possible.</p>
17 S106 Beaulieu School Joint Use Sports Facility	<p>To date £477k has been collected in contributions which have been agreed to be paid over to ECC to be used for the development of a joint use sports facility. It is also requested that delegated authority is given to the Director of Sustainable Communities, after consultation with the Cabinet member for Planning and Economic Development, to make staged payments of any future sums collected for this facility to ECC, to ensure that the project progresses. Currently this is forecast to be in the region of £843k.</p>

		CAPITAL SCHEMES			VARIATION IN TOTAL CAPITAL SCHEME COSTS						
		TABLE I									
		Latest Approved Budget - Approved Council July 2018 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval						
Spend to 31st December 2018		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Previously Reported to Audit Committee December 2018	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative		
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s				
	<u>Director of Corporate Services</u>										
1,917	1 Museum Heritage Lottery Fund (HLF) Works	1,990	9	1,999	77	2,076	2,099	No	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.		
	<u>Director of Financial Services</u>										
2,726	2 Acq. Land Wharf Road and Future Development	5,000	-459	4,541	45	4,586	4,541	In Negotiations	Approved Council July 2016		
932	3 Enabling Lockside Growth Area	450	4,050	4,500		4,500	4,500	In Negotiations	Report taken to Cabinet in March 2018 for £4.5m recommended to go on for Council approval. Urgency approval has been granted for £450k.		
2,463	4 Homelessness Initiatives	2,319	703	3,022		3,022	3,022	Under Review	Approved at Council February 2016. Additional S106 received and allocated towards this budget.		
672	5 Acquisition of Property for Future Development	631	44	675		675	675	Completed	Approved Urgency letter May 2018. Additional £44k approved by Council in July 2018 for SDLT and Fees		
	6 Investment for Future Development	940		940		940	940	Under Review	Approved at Cabinet June 2018		
415	7 Acquisition 1 Springfield Lyons Way - Visteon 2	8,815		8,815		8,815		New	Budget approved via Urgency letter December 2018		
	<u>Director of Public Places</u>										
67	8 Cemetery North Car Park, Drive and Entrance	82		82		82	82	No	Approved at Council February 2017. This scheme will not be completed until 2018/19. This decision has been taken so that further disruption to services at the Crematorium was avoided and the works scheduled for completion at the same time as maintenance works to the cremators.		
64	9 Coval Lane Shower Refurbishment	62	2	64		64	64	Yes	Approved at Council February 2017. To be reviewed before committing to works. Works commenced October 2017.		
44	10 Coval Lane Toilet Refurbishment	42		42	2	44	44	Yes	Approved at Council February 2017. To be reviewed before committing to works. Works commenced October 2017.		
31	11 Mayor's Parlour Refurbishment	49	-2	47		47	47	Yes	Approved supplementary estimate February 2018.		
105	12 Community Safety Partnership Hub	171		171		171	171	Yes	Approved supplementary estimate May 2018.		
11	13 Community Flood Improvements	184		184		184	184	Under Review	Capital grant received to enable the works to be completed. The budget will be included for approval with the Capital report being taken to June Cabinet. Scheme approved at June Cabinet and included in approved programme.		
6	14 S106 Allotments Avon Road	10		10		10	10	Yes	Approved delegation S106 report taken to Council in July. Schemes fully funded by S106.		
111	15 S106 Parks and Open Spaces	271		271		271	271	Yes	Approved delegation S106 report taken to Council in July. Schemes fully funded by S106.		
5	16 CIL Landscape Enhancement Scheme Chignal Road			0	11	11	11	Under Review	CIL funding approved October 2018 scheme to be included for approval		
7	17 Chelmsford Indoor Market Refurbishment	500	200	700		700	550	Under Review	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.		

		TABLE I										
		Latest Approved Budget - Approved Council July 2018 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval							
Spend to 31st December 2018			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Previously Reported to Audit Committee December 2018	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative		
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s				
33,499	18	Riverside Ice and Leisure Centre Scheme	700	34,516	35,216	4,500	39,716	35,216	Under Review	£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. Full scheme cost approved at July Council as £35.216m		
0	19	Riverside Ice and Leisure Centre Parallel Work Streams - café	250		250			55	55	250	Under Review	£250k approved at Council February 2018 for café fit out
	20	Riverside Changing Places Grant - Sensory Equipment								NEW		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.
35	21	Dovedales - Grant for Works	21	12	33					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.
21	22	CSAC Grandstand Repairs	26		26			5	53	26	Yes	£26k approved at Council February 2018.
53	23	Hylands House External Redecoration	48		48					53	Yes	Approved Council February 2018
		Director of Sustainable Communities										
1,667	24	Flood Alleviation Scheme	6,100	400	6,500			5	1,698	6,500	No	Increased cost of scheme from EA now capped at £6.5 million approved Cabinet July 2013
1,698	25	City Centre Public Realm Work - Half Moon Square	250	1,443	1,693					1,698	Completed	Additional budget £120,000 approved by Cabinet September 2014 to cover the cost of preliminary works. £1.2m approved at February Council for the works to Half Moon Square. Further £275,000 approved by Cabinet October 2015. The cost of these works are to be funded by S106. Project Manager still to provide details of final cost of scheme. There are still outstanding works to be completed. An additional budget was approved at July Council for £67k to be funded from S106. The scheme is complete but the project manager still needs to confirm the final cost.
154	26	Public Realm Wayfinding Signs	50	104	154	154	Completed			£102,000 supplementary estimate approved April 2016. This additional cost will be funded by £52,000 ECC and £50,000 S106.		
	27	Public Realm Wayfinding Signs Phase 2	310		310	310	Unspecified			Approved at Council February 2018. Two year programme to go ahead only if funding is secured from ECC and CIL.		
3,608	28	Public Realm Mill Yard Works	34	4,266	4,300	4,300	No			A budget of £101,000 was approved for the design of this scheme via Director of Sustainable Communities delegated authority. An additional £138,000 was approved via supplementary estimate December 2015. At February 2016 Council a further £2,661,000 was approved for this scheme to progress. This scheme will progress on the basis of no cost to CCC with the funding coming from LEP. An additional £900K was approved at Council February 2017. This increase is to be entirely funded from LEP and S106. There is also an additional £400k funding from CIL which has been approved by Council in July 2017 and £100K S106. This additional £500k funding spend has brought the budget for the scheme to £4.3m. This scheme was programmed to complete by the end of March 2018. The majority of the works are now complete but the site has not been handed back to Abellio Greater Anglia.		

		TABLE 1										
		Latest Approved Budget - Approved Council July 2018 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval							
Spend to 31st December 2018		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Previously Reported to Audit Committee December 2018	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative			
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s					
432	29 Public Realm Bell Meadow	410	5	415	17	432	432	Unspecified	Approved at Cabinet October 2015. This scheme will be funded by the use of S106.			
	30 Public Realm Tindal Square Design	160		160		160	160	No	Approved at Council February 2018. The design works will not be completed until 2019/20.			
	31 Public Realm City Centre Greening/Tree Planting	115		115		115	115	Yes	Approved at Council February 2018. Three year programme.			
1,650	32 Beaulieu Park Station	100	1,550	1,650	80	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.			
84	33 Beaulieu Park Station 2nd Phase	2,917		2,917		2,917	2,917	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.			
66	34 S106 Public Art Mill Yard	70		70		70	70	Yes	£70k approved via delegation March 2018. Expenditure to be funded by S106.			
	35 CIL Sutherland Lodge Refurbishment	525		525	3	525	525	Yes	Approved Council July 2017. Not previously included on Capital reports.			
	36 CIL North Avenue Youth Centre Grant	41		41		41	41	Yes	Approved CIL funding April 2018. Not previously included on Capital reports.			
100	37 CIL Langton Avenue Community Centre	100		100		100	100	Yes	Approved CIL funding April 2018. Not previously included on Capital reports.			
	38 CIL St Andrew's Scout Hut Building				80	80	80	Yes	CIL funding approved Cabinet October 2018 scheme to be included in capital programme.			
7	39 High Chelmer Multi Storey Car park (HCMSCP) Movement Joints	105		105		105	105	No	Approved at Council February 2017. Scheme will not complete until September 2018 as there have been other priorities. These works are now being carried out with the drainage works and should be completed by 31/3/19.			
6	40 HCMSCP Drainage Improvements	31		31		31	31	Yes	Approved at Council February 2018.			
99	41 HCMSCP Guard Rails	96		96	3	99	96	Yes	Approved at Council February 2017.			
49	42 Enabling Role - Housing	3,841	-3,604	237		237	237	Under review	Budget reduced as vired to fund temporary accommodation. It is not anticipated that this budget will be spent until 2020/21.			
52,804	Grand Total	37,816	43,239	81,055	4,802	85,857	72,312					
				Net Variation	4,802							
TABLE 2												
Summary of Changes Since July 2018 Council 2018												
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CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME																		
TABLE I																		
2018/19																		
2018/19 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE																		
VARIATION FROM 2018/19 BUDGET ONLY																		
Analysis of Variations																		
2019/20																		
2019/20 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS																		
2019/20 BUDGET																		
Variations																		
More/Less(-) Than Approved Budgets - More Requires Approval																		
New Budget Required Asset Replacements Required Approval																		
Total Proposed Budget Requirement for 2019/20																		
Original Approved Estimate 2019/20																		
Additional/ Reduced (-) Approved Budget																		
Reason for Change - see key below																		
Latest Approved Estimate for 2019/20																		
Re phasing from 2018/19 - Requires Approval																		
More/Less(-) Than Approved Budgets - More Requires Approval																		
New Budget Required Asset Replacements Required Approval																		
Total Proposed Budget Requirement for 2019/20																		
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TREASURY MANAGEMENT STRATEGY 2019/20

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1. On 29 January 2019 the Cabinet considered the attached report on the Treasury Management Strategy for 2019/20 and resolved as follows:

**“RECOMMENDED TO THE COUNCIL** that:

1. it recognises that the investment strategy does result in some risk to capital invested but that the risk is at an appropriate level;
2. the Treasury Management Strategy for 2019/20 submitted as Appendix 1 of the report to the meeting, including the potential to invest up to a further £10 million in external funds, dependent on investigation by the Treasury Management Sub-Committee of the risks and benefits, be approved;
3. the Treasury Management Prudential Indicators for 2019/20 detailed in Appendix 2 be approved; and
4. the Treasury Management Code of Practice be adopted.”

2. **RECOMMENDED TO THE COUNCIL**

That the recommendations of the Cabinet on the Treasury Management Strategy for 2019/20 be approved.



**CABINET**  
**29<sup>TH</sup> January 2019**

AGENDA ITEM 6.4

<b>Subject:</b>	<b>TREASURY MANAGEMENT STRATEGY 2019/20</b>
<b>Report by:</b>	Cabinet Member for Finance

**Enquiries contact:**

Phil Reeves Tel: 01245 606562

e-mail: [phil.reeves@chelmsford.gov.uk](mailto:phil.reeves@chelmsford.gov.uk)

**Purpose**

This report sets out the recommended approach together with the associated risks in managing the Council's cash investments in 2019/20.

**Options**

To agree or vary the proposals in the report.

**Recommendation**

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

- i. the Council recognises that the investment strategy does result in some risk to capital invested but this is at an appropriate level
- ii. the Treasury Strategy for 2019/20 is approved (**Appendix 1**), including the potential to invest up to a further £10m in external funds dependant on Treasury Sub-committee investigation of the risks and benefits.
- iii. the Treasury Management indicators for 2019/20 are approved (**Appendix 2**)
- iv. The Council formally adopts the 2017 revision of the Treasury Management Code of Practice (**Appendix 3**)

**Corporate Implications**

Legal:	If no proposal is made to Council the authority will be in breach of its statutory duties
Financial:	As detailed in the report
Personnel:	None
Risk Management:	The strategy recommends further investment in pooled asset funds, which will require additional risk management measures to be put in place to manage these investments

Equalities and Diversity:	None
Health and Safety:	None
IT:	None
Other:	None

**Consulters:**  
Audit Committee

**Policies and Strategies:**  
N/A

### Corporate Plan Priorities

The report relates to the following priorities in the Corporate Plan

Attracting investment and delivering infrastructure	X
Facilitating suitable housing for local needs	X
Providing high quality public spaces	X
Promoting a more sustainable environment	X
Promoting healthier and more active lives	X
Enhancing participation in cultural activities	X

## 1.0 Background

- 1.1 The Council can expect to have cash to invest arising from its revenue and capital balances, and collection of Council Tax. This cash can be usefully invested to produce a return to help support services and Council Tax. The activities around the management of this cash are known as 'Treasury Management'.
- 1.2 The amount of cash the Council has to invest will decline as the Council funds its capital programme.
- 1.3 Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:  
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"
- 1.4 CIPFA produce a framework for managing treasury activities, called a 'Code'. Councils are legally required to have regard to this Code and members of CIPFA are expected to comply with its requirements. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the MHCLG Guidance.
- 1.5 CIPFA published a revised version of the Code in December 2017, too late for inclusion in the 2018/19 Treasury Strategy. CIPFA recommends that all public service organisations formally adopt the code and include four essential clauses with formal policy documents. Officers therefore recommend that the code is officially adopted, and the relevant clauses are provided in **Appendix 3** to this report.
- 1.6 Treasury Management regulation for local authorities requires the Council to produce the following documentation:

- i) An overarching **Treasury Management Policy Statement**. This sets out the objectives of the Council's treasury management activities (To be contained in the Capital Strategy).
  - ii) **Treasury Strategy (Appendix 1)**. This sets out the Council's approach to managing its investments for the year ahead.
  - iii) **Treasury Management Practice Statements (TMPS)**. These are procedure notes, detailing how the Council will manage its treasury management risks. The Director of Finance is delegated to produce the TMPS; they do not require member approval and are therefore not reported formally.
  - iv) **Yearly and Half Yearly Activity Reports**. Made to Council in June and December each year.
  - v) **Quarterly Reports to Treasury Management Audit Sub-committee**. Detailing performance and reviewing the strategy.
- 1.7 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.
- 1.8 In 2018 changes have been made to both the Prudential Code and the MHCLG investment guidance for local authorities. As such the Council is now required to prepare a Capital Strategy as an overarching document to support the prudent management of its capital expenditure, borrowing and investment activity. The Treasury Management Strategy now serves as a detailed supporting document to the Capital Strategy and focuses on the management of investments arising from the organisation's cashflows. New treasury management indicators are now included, and these will be reviewed regularly.
- 2.0 Audit Committee Review of Treasury Management Strategy
- 2.1 The Treasury Management Sub-committee of the Audit Committee has reviewed the contents of this report and any comments or changes recommended have been incorporated.
- 3.0 Executive summary of Proposed Investment Strategy
- 3.1 The key requirements operationally for the Council are summarised in paragraph 3.2, with a more detailed version in **Appendix 1**.
- 3.2 **Summary of Treasury Strategy for 2019/20 (full details Appendix 1)**
  - 1) All Council investments will be made in UK sterling.
  - 2) The Council's cash flow and investment balances will be lower but more certain in 2019/20 following the completion of the Riverside Capital Project. Officers therefore recommend that Council approve up to £10m (maximum of £5m per fund) of investments in multi-asset or bond funds; subject to the Treasury Management sub-committee being satisfied that appropriate risk management processes are put in place for these investments. Such investments will help to offset the impact of inflation on the Council's purchasing power and help support the revenue budget.
  - 3) 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. The Council's share of the fund was some £6.5m in November 2018. However, officers will undertake withdrawals of cash from the fund if it is deemed in the Council's best interest and following consultation with the members of the treasury management sub-committee.

- 4) Below are the criteria by which officers will choose counter parties with whom to invest the Council's funds. The information is split into two categories as required by government guidance; specified and unspecified investments. The criteria cannot however remove all risk of loss of funds. The criterion balances security of funds and return on investments. The following are the maximum investment limits that may be used, and officers may in practice operate lower ones. The decision to operate lower limits will be based on market information and advice from Arlingclose the Council's Treasury Management advisor.

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

<b>Non-specified Investments</b> These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk				
<b>Counterparties</b>	<b>Min. Credit Criteria</b>	<b>Max. Limit £m</b>	<b>Max. maturity period</b>	<b>Change from existing approach</b>
CCLA Local Authority Property Fund	Unrated	£8m	n/a	Removed option for additional property fund investment
Multi-Asset or Bond funds	Unrated	£5m per fund	n/a	New approach and higher overall allocation allowed
Covered Bonds (per bond)	AA-	£6m	3 years	None
Supranational Bonds (per each institution)	AAA	£6m	3 years	None
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	No Limit	5 years	None
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m		

- 5) As an overall principal the maximum amount invested in non-specified investments will not exceed £18m, including an allowance for capital growth. These investments are effectively strategic, and the Council is projected to have sufficient long cash holdings to support this longer-term investment.
- 6) Due to the risk of market volatility surrounding the UK's exit from the European Union, the 2019/20 budget assumes that interest rates will not change materially in 2019/20.
- 7) In addition, Officers can invest funds in domestically domiciled banks and UK government institutions should market volatility make access to EU-domiciled investment products, such as the majority of Money Market Funds, difficult.
- 8) The current capital and revenue projections show there is currently no need to undertake any external borrowing to fund the capital programme in 2019/20, although short term borrowing for cashflow purposes may be necessary.

#### 4.0 Conclusion

- 4.1 The Council's Treasury Management Strategy prioritises the security and liquidity of the Council's financial assets over yield.
- 4.2 The proposed Strategy reflects a continued transition of the Council's investments away from unsecured bank and building society deposits to a more diverse range of highly rated products. Pooled funds are an important part of this strategy; they provide access to diversified pools of assets which generate inflation beating returns, helping to preserve the capital value of the Council's financial assets.
- 4.3 The Council's methods for investment and selecting counter parties do not remove all risk of losses but balance the need to make an appropriate return with reasonable risk parameters.
- 4.4 With the Riverside capital project approaching completion, the Council now has the opportunity to invest a larger proportion of its portfolio in pooled investment funds. This investment would need to be carefully managed but will help protect the Council's financial assets from the impact of inflation.

#### Background Papers

Treasury Management Practice Statements

Treasury Management Sub-committee papers

#### Appendices

- 1) Treasury Management Strategy
- 2) Treasury management Indicators
- 3) Treasury Management Code of Practice – clauses to be formally adopted

## **Appendix 1 - Treasury Management Strategy 2019/20**

### Introduction

- 1.1 Chelmsford City Council has adopted and complies with both the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes and the Department of Communities and Local Government's Guidance on Local Government Investments.
- 1.2 Both the Code and MHCLG regulations require the Authority to prepare and authorise a Treasury Management Strategy prior to the start of each financial year. This report fulfils the Council's legal requirement under the Local Government Act 2003.
- 1.3 Chelmsford City Council has invested substantial sums of money and is therefore exposed to a series of financial risks including the loss of invested funds and the risk of changes in interest rates affecting the revenue contribution these investments make to the Council's budgets. It is possible but not projected that in future years the Council may be required to borrow in order to fund capital expenditure.
- 1.4 This strategy will set out how the Council monitors and manages the financial risks arising from its treasury management operations. It should be noted that the Council prioritises the security of its capital first and foremost, its liquidity needs secondly and finally the maximisation of yield on investments only once security and liquidity have been addressed. Performance indicators designed to demonstrate these priorities are shown in appendix B.
- 1.5 It is important to note that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.
- 1.6 In the event of major changes to the external or internal context in which this strategy has been set, it may be necessary for the Council to revise its strategy during the year.
- 1.7 There have been significant revisions to the Prudential Code and MHCLG Statutory Guidance on Local Government Investments in 2018. The Council is required to have regard to both these and the CIPFA Code of Practice on Treasury Management, and these revisions will have an impact on the reporting structures for treasury management:
  - The Treasury Management Strategy fulfils one part of a new, wider, capital strategy which sets out the long-term context in which capital expenditure and investment decisions are made
  - The Treasury Management Strategy now considers purely the actions related to managing the authority's financial assets and liabilities
  - Non-financial assets held for commercial purposes, such as investment property, must be considered separately to treasury management within the capital strategy
  - The prudential indicators now sit within the Capital Strategy rather than in the Treasury Strategy
  - Separate local treasury management indicators may be used within the Treasury Strategy



- 1.8 The prudential code now requires authorities to publish an overarching capital strategy which considers capital expenditure, treasury management, investment strategy and various other factors.
  - 1.9 In addition, the revised MHCLG guidance requires authorities to consider both financial and non-financial assets held for the generation of profit in a new investment strategy.
  - 1.10 Therefore, this Treasury Management Strategy will focus solely on investments arising from the organisation's cashflows and debt management activity. Non-treasury investments will be covered separately under the Capital Strategy. Prudential indicators will now be presented within the capital strategy and this report will instead put forward separate treasury management indicators.
  - 1.11 The revised prudential code requires Council to approve the capital strategy but gives Council the option to delegate approval of the underlying strategies to other bodies. For 2019/20, both reports will be taken to Council for authorisation.
  - 1.12 As the 2019/20 Strategy recommends a different approach to the current strategy, it may be necessary to review the treasury management indicators set here as they may not be appropriate to a different portfolio context. The treasury reporting process via the mid-year review and outturn reports give scope to review the indicators if needed.
2. External Context
    - 2.1 The Council's treasury management strategy operates in a macroeconomic environment which can have a significant impact on the Council's treasury operations in terms of inflation, interest rate and counterparty risks.

**The economic environment and interest rate forecast**
    - 2.2 Market volatility is to be expected around a large political event like the UK's exit from the European Union. So, whilst the domestic economy remains relatively robust, there is a risk that the Council's investment activity could be negatively affected by any market instability.
    - 2.3 Inflation fell back to 2.4% year on year in September 2018. The Monetary Policy Committee of the Bank of England judged that, with the ILO unemployment rate at its lowest level since 1975 (4%), this level of inflation could be reflective of a lack of spare capacity in the economy.
    - 2.4 Arlingclose, the Council's treasury advisors, project that interest rates are likely to continue to rise steadily to 1.25% by the end of 2019 as the MPC looks to tighten monetary policy. Because of current economic uncertainty, officers decided that it was prudent not to build in any interest rate rise in to the 2019/20 original budget.

**Credit Outlook and counterparty risk**
    - 2.5 Over recent years the Council has continued to reduce the amount of unsecured bank deposits it holds in reaction to the "bail in" risk arising from reform to the banking sector. Under "bail in" provisions, investors would face losses to their deposits and share-holdings in order to recapitalise a bank before any Government bailout would occur.
    - 2.6 2018 saw the introduction of ringfenced banks to increase the protections for retail clients (individuals and small businesses). The Council saw the credit ratings of its banking counterparties either improve or remain static as a result of ringfencing and so no further strategy changes are proposed as a result of ringfencing. Exposure to bail-in risk is

monitored by officers and reported in the treasury management performance indicators (appendix B).

- 2.7 The ability to invest in UK and overseas banks remains an important tool for the Council's Treasury Management operations but Officers will continue to monitor creditworthiness and will recommend changes to the strategy if necessary. Officers will invest cautiously with non-UK institutions in the lead up to the UK's exit from the EU. In the event of significant market instability, the Council may decide to place funds with the UK Government via the Debt Management Account Deposit Facility (DMADF) or UK Treasury Bills. The counterparties set out in this strategy will support such an approach, but it should be recognised that a loss of yield may result.

### 3. Local Context

- 3.1 On 30<sup>th</sup> November 2018, the Council held £81.3m of investments. These investments arise from balances and reserves, as well as income received in advance of expenditure and allow the Council to generate a useful income stream to support revenue expenditure.
- 3.2 The Council is currently undertaking an ambitious capital programme designed to improve the quality of the services available to Chelmsford's residents. The Authority has no external debt and its approved capital expenditure plans do not currently imply a need to externally borrow within the forecast period. However, this strategy retains the option to borrow should the Council approve additional capital expenditure or for short term liquidity purposes.
- 3.3 Whilst the Council does hold significant cash balances, it should be noted that a large proportion of this cash is collected on behalf of other authorities and so is only held temporarily by the Council. However, with major capital projects such as the Riverside redevelopment approaching completion, the Council will be able to invest some of its cash resources for longer periods than it has in the past 18 months. This will allow for opportunities to increase yield on the Council's portfolio above what has been achieved in recent years.

### 4 Investment Strategy

- 4.1 The Council's investment strategy prioritises its investment objectives in the following order:
- Security of assets – investing in counterparties only where the risks of incurring a capital loss through default and the risks of late payment of principal and interest are low
  - Liquidity – Ensuring that the authority is able to access sufficient cash to meet its obligations with appropriate notice
  - Yield – subject to the management of risks associated with security and liquidity of assets, the Council will seek to maximise the yield from its investment portfolio

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

- 4.2 The Council recognises that, whilst interest rates have increased in the last 2 years, they remain relatively low. Therefore, the yield that investment in cash-based investment products generates on investments is lower than the prevailing rate of inflation – the spending power of the sums invested is therefore being eroded. As demand for such high levels of liquidity will fall once the Riverside project is complete, there is now an opportunity to invest in longer term or alternative investment products which can generate a higher yield and so offset the impact of inflation on the portfolio.
- 4.3 Given the continued risk of bail-in losses from investing in banks, the Council will continue its policy of diversifying its investments away from unsecured bank deposits.
- 4.4 Both news media and the Council's treasury advisors, Arlingclose, have highlighted concerns about the financial stability of some UK Local Authorities. Whilst it is seen as highly unlikely that any UK Local Authority would be permitted to default on debts, particularly following the government's decision to support struggling Northamptonshire County Council, the Council carefully reviews publicly available information prior to making investments in other UK Local Authorities and will continue to invest with other local authorities, subject to appropriate due-diligence checks.
- 4.5 The Council currently holds an investment with the CCLA Local Authorities' Property Fund, an original investment of £5m together with an unrealised capital gain of c.£1.6m as at the end of November 2018. This investment is held primarily for the income yield it generates and the Council expects to continue to hold this investment throughout 2019/20 but has the option to sell this asset if necessary; recognising that the prevailing market rate may result in a loss of capital.
- 4.6 Given that the Council already holds a £5m investment in the CCLA Property Fund and also holds significant direct property investments in assets in Chelmsford, officers do not recommend any further investment in property funds at this time. This option has therefore been removed from the Treasury Strategy.
- 4.7 Capital receipts, Community Infrastructure Levy contributions (CIL) and Business ratepayer appeals will continue to support the Council's average cash balance in 2019/20 but with major construction works on the Riverside redevelopment scheduled to complete in early 2019/20, it is anticipated that cash balances will be significantly lower than in recent years; with capital resources having been applied to the scheme.
- 4.8 The Council's current and projected year end levels of investments are shown in the table below. It should be noted that year end tends to be the lowest point in the year for the Council's cash balances because most residents pay their Council Tax over 10 instalments, but the Council pays these out to central government and other precepting authorities on a monthly basis; therefore, significant net cash outflows occur in February and March each year. Average cash balances in 2017/18 were £85.9m and are projected to be £73.3m in 2018/19 and £47m in 2019/20.

	<b>November 2018 Actual £m</b>	<b>31 March 2019 Projected £m</b>	<b>31 March 2020 Projected £m</b>
Cash	81	32	38

- 4.9 Officers have made a prudent estimate that an additional £10m of the Council's current portfolio will be available to invest in either longer dated fixed term deposits or higher

yield pooled funds which will protect the authority from the impact of inflation on its purchasing power. This could be achieved without exposing the Council to undue liquidity risk. The Council's strategic investment portfolio would be deemed to be £16m (initial investment value) long term core holdings and the remaining projected balance of £31m could be kept relatively liquid in traditional investments such as bank, building society and local authority deposits as well as instant access money market accounts.

- 4.10 For a long-dated fixed term deposit, the Council would only be able to invest with another local authority or the UK Government. Alternatively, further investment in covered bonds could be considered. These options would satisfy the Council's appetite for counter-party risk. However, long-term fixed rates would expose the Council to interest rate risk – the possibility of rate rises making the fixed term deposit less appealing.
- 4.11 Arlingclose has modelled the Council a pooled fund investment portfolio of £10m across a range of mixed asset and bond funds designed to provide low volatility and increased yield. Whilst some of the underlying assets would be below the Council's appetite for direct investment, the pooled fund approach means that the Council would own a small share of a diversified portfolio of many different assets. These funds are professionally managed and poor performance in individual assets is generally offset by the performance of the remainder of the fund; generating income and capital growth from the investment.
- 4.12 However, members should be aware of the risk of capital losses arising from market behaviour during the period of ownership and if this does occur, processes will need to be in place to decide whether to crystallise a loss by disposing of the asset or to hold the asset until market conditions improve. This approach will be familiar to member as it operates in the same way as the CCLA Property Fund but for a mix of assets including cash, bonds, equities and property.
- 4.13 The table below shows the potential increase in yield which could be achieved via an additional investment of £10m in either a 5-year fixed deposit with a local authority or a pooled fund portfolio. It should be noted that this is based on past performance and is not an indicator of future performance.

	Indicative Yield	Indicative income	Additional income earned
Current Strategy	0.80%	£80,000	-
5-year local authority Investment	1.50%	£150,000	£70,000
Pooled fund portfolio	4.35%	£435,000	£355,000

- 4.14 This strategy therefore gives the Council the option to invest an additional £10m in pooled investment funds. It is recommended that the Treasury Management sub-committee, in conjunction with the Director of Finance and the Cabinet Member for Finance will undertake a full risk management exercise to consider controls around pooled fund investments before any initial investment activity is undertaken. The Director of Finance and Cabinet Member for Finance will then have responsibility for the management of individual investments within the framework set out.

## Counterparties

- 4.15 The Council is required by law to identify the proposed investment rules under the categories Specified and Non-Specified:

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

<b>Non-specified Investments</b> These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk				
<b>Counterparties</b>	<b>Min. Credit Criteria</b>	<b>Max. Limit £m</b>	<b>Max. maturity period</b>	<b>Change from existing approach</b>
CCLA Local Authority Property Fund	Unrated	£8m	n/a	Removed option for additional property fund investment
Multi-Asset or Bond funds	Unrated	£5m per fund	n/a	New approach and higher overall allocation allowed
Covered Bonds (per bond)	AA-	£6m	3 years	None
Supranational Bonds (per each institution)	AAA	£6m	3 years	None
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	No Limit	5 years	None
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m		

#### **Commentary on credit ratings and proposed counterparties**

- 4.16 Arlingclose, as part of their service, provide advice on what they believe to be suitable investment counter parties for the Council. Arlingclose's approach is not based on a rigid model but on an assessment of a range of measures that require a final human judgement of the overall risk. The assessments include the following; credit ratings, the likelihood of UK or another Government support, market information (e.g. share price or CDS), collateral offered by the Counter Party, types of activity undertaken by the institution and other external advice. The Counter Parties recommended in this report reflect discussions with Arlingclose by officers, the Cabinet Member for Finance and the Treasury Management Sub-committee.
- 4.17 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, advice from

Arlingclose and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria. The Council regularly review the credit ratings and other indicators relating to its approved counterparties.

- 4.18 **Money Market Funds:** The Council invests short term cash in a number of AAA rated money market funds. The funds provide a modest rate of interest on sums invested averaging 0.72% at 30/11/18 but allow same day access to funds called back. Due to the risks surrounding unsecured bank deposits (discussed below), the Council has increased its use of money market funds in recent years. The Council also has access to enhanced money market funds which offer a better rate of return but require 2 – 5 day notice to withdraw funds.
- 4.19 **Unsecured bank deposits:** The changes to UK Bank regulation from the adoption of a “bail-in” approach to recapitalising banks and the move to ringfencing of UK bank retail operations has increased the risk of loss of capital from such investments. The Council feels that it is still prudent to invest with specific counterparty banks on an unsecured basis but has previously reduced the duration of such deposits, in line with Arlingclose advice; increasing its investment in UK Local Authorities. With the completion of ringfencing activities by major banks to protect retail investors from investment banking losses, different banks have placed local authority depositors in either the retail or investment banking divisions. Due to the way this process works it is not a given that depositing in a retail bank is safer for the Council. Therefore, the Council does not feel that there is any need to make further alterations to its banking counterparties at this time. It should be noted that the credit scores for the banks with which the Council operates have either remained the same or improved as a result of ringfencing. The Council holds accounts with RBS/Natwest for its everyday banking operations. Following ringfencing RBS/Natwest have moved local authorities into their A- rated retail bank; therefore there is no longer a need for a special dispensation in the strategy to allow the Council to use this counterparty for its operations.
- 4.20 **Challenger Banks:** As part of the Government’s policy to reduce the size of banks and to encourage competition new ‘challenger banks’ are appearing in the UK banking market. Many of these challenger banks are unrated but do have very high levels of capital buffers. There has been insufficient evidence to demonstrate during 2018/19 that investments would be appropriately secure. However, it is recommended that the Treasury Management Sub-committee reviews evidence on these challenger banks and if satisfied that they provide sufficient Security, Liquidity and Return, and that up to £3m could be invested by the Council.
- 4.21 **Investment Funds:** Funds are non-specified investments which offer the Council a share of the income and capital growth of the fund. There are several types of fund including property funds, bond funds, equity funds and mixed asset funds. Funds seek to reduce risk by building a pool of diversified investments and as such are considerably safer than an investment of comparable size in a specific single asset. However, any fund exposes the Council to market price volatility and so Officers will carefully consider any investment opportunity, in conjunction with the Treasury Management sub-committee.

## 5. Borrowing Strategy

- 5.1 Based on current authorised capital expenditure plans, the Council has no underlying need to borrow from external sources to fund its capital expenditure in the forecast period. This section of the report sets out the Council's approach to external borrowing should it become necessary because of additions to the authorised capital programme or

for short term liquidity purposes – where the Council may need to borrow funds for a short period to manage cash flow.

- 5.2 If and when the Authority needs to borrow externally it will seek to strike a balance between minimising interest costs and securing certainty of borrowing costs. The Council will seek to borrow funds from one of the following sources:
- Public Works Loan Board (PWLB)
  - Other UK Local Authorities
  - Any institution approved for investments
  - UK public or private sector pension funds (Excluding the Essex Local Authority Pension Fund)
- 5.3 Officers may decide to undertake very short term borrowing for the purpose of confirming that appropriate authorisations are in place with counterparties. This will ensure that the ability to borrow at short notice is available if the need arises. The Council has no other plans to borrow in advance of need but may do so in the future if this represents best value for money for the funding of the capital programme or for short term liquidity purposes. This amount will not exceed the authorised borrowing limit, as set out in Capital Strategy.
- 5.4 In addition to borrowing, other debt financing models may be used to finance the capital programme where this represents best value for the authority. Such debt finance models include:
- Operating and finance leases (normally for vehicles)
  - Sale and leaseback arrangements
  - Hire purchase arrangements
- 5.5 With the introduction of a capital strategy and investment strategy in 2018, the prudential indicators are no longer reported in the Treasury Management Strategy. However, the Authorised Limit of Borrowing and the Operational Boundary of Borrowing are included with the treasury indicators as they have direct relevance to treasury management activity. These indicators both refer to external borrowing controls and can be found in appendix B.
- 5.6 The authorised borrowing limit for 2019/20 is £10m and the operational boundary is £nil. This confirms the fact that the authority does not expect to borrow, but if urgent need arises, the authority can borrow up to £10m without referral back to Council. Any borrowing would be in excess of the operational boundary and so would need to be reported via the normal mid-year or outturn treasury reports.
6. Role of the Treasury management sub-committee
- 6.1 The Sub-committee will be informed of investment activity and of significant changes in conditions that lessen or increase the risks of the Council's Treasury Management activity. The Sub-committee will recommend changes to officers and where necessary report back to Council.



## Treasury Management Performance Indicators

Period Ending: 30/11/2018

### Security

	Month ending	Projection year ending	Target for year
	30/11/2018	31/03/2019	31/03/2019
Only to invest with approved counterparties	No breach	No breach	No breach
Only to invest up to approved limits	No breach	No breach	No breach
Bail in exposure to not exceed 33% of portfolio	27.00%	27.00%	33.00%

Target for year	Target for year	Target for year
31/03/2020	31/03/2021	31/03/2022
No breach	No breach	No breach
No breach	No breach	No breach
33.00%	33.00%	33.00%

### Liquidity

	Month ending	Projection year ending	Target for year
	30/11/2018	31/03/2019	31/03/2019
At least £10m maturing in 100 days or less	£ 59,274,000	£ 19,000,000	£ 10,000,000
Between 100 days and 1 year	£ 9,000,000	£ -	
Investments maturing in more than 365 days and strategic funds	£ 13,000,000	£ 13,000,000	£ 13,000,000
	<b>£ 81,274,000</b>	<b>£ 32,000,000</b>	

Target for year	Target for year	Target for year
31/03/2020	31/03/2021	31/03/2022
£ 10,000,000	£ 10,000,000	£ 10,000,000
£ -	£ -	£ -
£ 18,000,000	£ 18,000,000	£ 18,000,000

	Actual Borrowing Month ending	Borrowing projection year ending	Limit for year
	30/11/2018	31/03/2019	31/03/2019
Authorised Limit of External Borrowing	£ Nil	£ Nil	£ 8,000,000
Operational Boundary of External Borrowing (excluding finance leases)	£ Nil	£ Nil	£ Nil

Limit for year	Limit for year	Limit for year
31/03/2020	31/03/2021	31/03/2022
£ 10,000,000	£ 10,000,000	£ 10,000,000
£ Nil	£ Nil	£ Nil

### Yield

	Month ending	Projection year ending
	30/11/2018	31/03/2019
Average yield on liquid portfolio	0.78%	0.78%
3 month Libid benchmark	0.77%	0.77%
Average yield on strategic portfolio	5.76%	5.76%
Average yield on total portfolio	1.10%	1.10%
1 year Libid benchmark	1.02%	1.02%

Projected benchmarks	Projected benchmarks	Projected benchmarks
31/03/2020	31/03/2021	31/03/2022
1.02%	1.27%	1.27%
1.27%	1.52%	1.52%

APPENDIX 2

## Appendix 3

### Treasury Management Code of Practice – clauses to be formally adopted

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

1) This organisation will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2) This Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

3) This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4) This organisation nominates the Treasury Management sub-committee of the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## PAY POLICY STATEMENT FOR 2019–20

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1. The Localism Act 2011 requires that each local authority produce and submit to full Council for approval an annual pay policy statement which should include:
  - The Council's policy on the level and elements of remuneration for Council employees including chief officers
  - The Council's policy on the remuneration of its lowest paid employee
  - The Council's policy on the relationship between the remuneration of its chief officers and other officers
  - The Council's policy on other specific aspects of officers' remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses (where applicable) and termination payment and transparency
  - Publication of, and access to, information relating to remuneration of chief officers
2. The pay policy statement for 2019-20 is attached. Apart from minor updating, there are no changes proposed to the existing policy.

**RECOMMENDED that**

the Council's Pay Policy Statement for 2019-20 be approved.

CHELMSFORD CITY COUNCIL  
PAY POLICY STATEMENT 2019 - 2020

**Introduction**

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

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

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

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

### **Strategic Aims**

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

### **Scope**

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

### **Determination of Job Grades**

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

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

## **Remuneration**

16. The Act defines remuneration as including:

- Pay
- Charges
- Fees
- Allowances
- Benefits in kind
- Increases/ enhancements of pension entitlement and
- Termination Payments

### Normal Pay

17. Normal pay includes all earnings that would be paid during a period of contractual working, but excluding any payments not made on a regular basis.
18. The basic pay of each employee will be based on the grade of the job they are contracted to perform. Grade 2 has a spot rate and each of the other grades consists of four spinal points. The minimum point of a pay grade is not lower than the maximum point of the preceding pay grade. The Council's locally determined pay scales ranges from grade 2 – 20. Jobs with the same evaluation score will be on the same grade.
19. The Council employs apprentices on apprentice pay rates. The lowest graded roles within the Council are grade 2 with a current salary<sup>1</sup> of £16,482. Roles at this grade include ice rink assistant, museum assistant, revenues assistant and pitch co-ordinator. The pay for the lowest grade employees is above national minimum pay rates.

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<sup>1</sup> Salary as at April 2018

### Recruitment

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

### Progression through the Pay Spine

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

### Pay Negotiation

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

### Market Supplements

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

### Honorarium payments

27. These discretionary payments may be given for the following circumstances:

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

### **Other Pay**

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

### **Pensions**

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

### **Other Benefits**

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

### **Reimbursement of Expenditure**

36. All employees are required to make the best use of council resources and are obliged to consider the most cost-effective option when incurring any expenditure in the course of their duties.
37. Subsistence allowances are payable when employees incur additional expenditure on meals because they have been unable to follow their normal meal arrangements whilst out on business.



38. Examples of where an employee may need to incur expenditure on meals are as follows:

- Attendance at training courses or seminars where meals or refreshments are not provided
- Site visits
- Meetings to other organisations
- Travelling to locations as part of official duties

### **Termination of Employment**

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

### **Other Changes**

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

### **Publicising Senior Salary**

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

### **Conclusion**

41. The Localism Act 2011 requires relevant authorities in England and Wales to prepare a Pay Policy Statement for each subsequent financial year. This paper sets out the Council's policy statement on pay for employees and sits alongside the overarching pay policy for the Council. The next statement will be reported to Full Council for their approval next year.

42. Should there be a need to amend the existing Pay Policy Statement during the course of the year an appropriate recommendation will be made to Full Council.

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## DESIGNATION OF MONITORING OFFICER

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### Introduction

1. The Council is currently recruiting to the post of Legal & Democratic Services Manager and Monitoring Officer. The Constitution provides that the full Council must approve the appointment of the Monitoring Officer. It is anticipated that it will be possible to make an offer of appointment in March but the next meeting of the Council is not scheduled to take place until 22 May 2019, which is too long to expect the successful candidate to wait before giving notice from their current employment and would delay their commencement with the Council by several months. This report considers alternative arrangements.

### The legal and constitutional positions

2. Section 5 of the Local Government and Housing Act 1989 provides that it shall be the duty of every authority to designate one of their officers as the monitoring officer to undertake the statutory duties prescribed. Whilst the Act does not specify in so many words, it is custom and practice amongst authorities for that designation to be made by full Council.
3. The Council's Constitution provides at Article 13:

2.13.2 The Council will designate the following posts to the post-holders identified:  
Post - Legal and Democratic Services Manager  
Designation – Monitoring Officer under section 5 of the Local Government and Housing Act 1989

Accordingly, whilst it is for the Council to designate an officer as Monitoring Officer, the Council must so designate the Legal and Democratic Services Manager.

4. The Officer Employment Rules at Part 4.8 of the Constitution make provision for the appointment of the Council's Head of Paid Service, Section 151 Officer, Monitoring Officer and Directors by the Employment Committee. Whilst the Legal and Democratic Services Manager is not a Director because the Constitution requires the appointee to be the Monitoring Officer, the appointment of the Legal and Democratic Services Manager and thus the Monitoring Officer must be undertaken by the Employment Committee.
5. The procedure for appointment is set out in the Officer Employment Rules and the Cabinet objection procedure, whereby Cabinet members may object to the proposed appointment, must be undertaken and it is only if there is no objection to the appointment from a Cabinet member that the offer of employment may be made.
6. However, with regard to the Monitoring Officer, the Officer Employment Rules provide that full Council must approve the appointment of a permanent Monitoring Officer. As the Monitoring Officer post is combined with the Legal and Democratic Services Officer post, in reality the Council must approve the recommended candidate for the post of Legal and Democratic Services and Monitoring Officer.

## The Recruitment Process

7. The indicative timetable for recruitment schedules final interviews by the Employment Committee on 12 March 2019. Assuming the Committee selects a preferred candidate, the Cabinet objection procedure will be undertaken between 13-15 March and if there is no Cabinet objection to the candidate, were it not for the need for Council approval, an offer of employment could be made in the week commencing 18 March. If accepted, the appointee could give notice in the current employment and commence work in June or July (depending on the period of notice).
8. The timetable does not allow for a recommendation to be made to the Council on 27 February and the meeting after that would be the annual meeting on 22 May. This is almost two months after the point at which an offer of employment could be made and there is a significant risk that the successful candidate will not be prepared to wait that long for the formal approval of Council. Furthermore, the appointee could not be expected to give notice until all necessary approvals were given and if notice could not be given until after the Annual Meeting the appointee would be unlikely to be able to start work until August or September, five or six months after the final interview.
9. Clearly this time lapse is unacceptable both for the appointee and for the Council and a mechanism needs to be found to shorten the period to the minimum.

## Options for prompt designation of the Monitoring Officer

10. The most obvious option is to call a special meeting of the Council for the week commencing 18 March 2019. Such a meeting would have a single substantive item on the agenda and would be unlikely to last for more than a few minutes. To call a meeting for this business alone would not be popular with members, particularly those who have to travel some distance to get to the Civic Centre and the Council might struggle to be quorate.
11. The alternative would be for the Council to authorise the Chief Executive to approve the recommended candidate put forward by the Employment Committee and to which the Cabinet had no objection thereby enabling a timely offer of employment to be made. This would be an unusual though not unlawful methodology and the approval could be reported to the Annual Meeting of the Council in May. This arrangement has the advantage of promptness without the inconvenience to which members would be put by a formal meeting.

## Conclusion

12. In order to complete an efficient recruitment process it is necessary to make arrangements for the approval of the Monitoring Officer and of the options available delegation to the Chief Executive is preferred and is so recommended.

**RECOMMENDED** that the Chief Executive, upon recommendation from the Employment Committee and with no objection from Cabinet Members, be authorised to approve the appointment of the Legal and Democratic Services Manager and Monitoring Officer and formally to designate the appointee as Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.