

Cabinet Agenda

29 January 2019 at 7pm

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

Membership

Councillor R. T. Whitehead (Chairman and Leader)
Councillor J. Galley (Finance and Deputy Leader)

and Councillors

N. Gulliver (Planning and Economic Development)
P.J.L. Hutchinson (Strategic Housing)
J. Jeapes (Leisure)
R. Massey (Parks)

A.J. McQuiggan (Information Technology & Corporate Services)
M. Sismey (Waste Management, Recycling & Parking Services)
S. R. Sullivan (Safer Communities, Museums & Cultural Strategy)

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

There will also be an opportunity to ask your Councillors questions or make a statement. 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, call in at the Civic Centre, or write to Democratic Services, Civic Centre, Duke Street, Chelmsford CM1 1JE. Council staff will also be available to offer advice in the Civic Centre for up to half an hour before the meeting.

If you need this agenda in an alternative format please call 01245 606923. Minicom textphone number: 01245 606444.

THE CABINET

29 JANUARY 2019

AGENDA

PART 1

Items to be considered when members of the public are likely to be present

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

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

3. **MINUTES AND DECISIONS CALLED-IN**

To consider the minutes of the meeting on 20 November 2018.
No decisions at that meeting were called in.

4. **PUBLIC QUESTIONS**

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

5. **MEMBERS' QUESTIONS**

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

6. **FINANCE**

- 6.1 Options for Local Council Tax Support Scheme 2019/20
- 6.2 Amendment to Business Rate Discretionary Relief Policy
- 6.3 Council Tax – Changes to Charges and Discounts for Empty Properties
- 6.4 Treasury Management Strategy 2019/20
- 6.5 Revenue Estimates 2019/20
- 6.6 Capital Strategy
- 6.7 Capital Programme Update

7. **PLANNING AND ECONOMIC DEVELOPMENT**

- 7.1 Allocating and Spending Chelmsford's Community Infrastructure Levy
- 7.2 Drakes Farm Plot, North-East Chelmsford

8. **URGENT BUSINESS**

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

9. **REPORTS TO COUNCIL**

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

PART II (EXEMPT ITEMS)

NIL

MINUTES OF CHELMSFORD CITY COUNCIL CABINET

on 20 November 2018 at 7.00pm

Present:

Councillor R T Whitehead, Leader of the Council (Chairman)
Councillor J Galley, Deputy Leader and Cabinet Member for Finance
Councillor N Gulliver, Cabinet Member for Planning and Economic Development
Councillor P J L Hutchinson, Cabinet Member for Strategic Housing
Councillor J Jeapes, Cabinet Member for Leisure
Councillor R Massey, Cabinet Member for Parks
Councillor A J McQuiggan, Cabinet Member for Information Technology & Corporate Services
Councillor M Sismey, Cabinet Member for Waste Management, Recycling & Parking Services
Councillor S R Sullivan, Cabinet Member for Safer Communities, Museums & Cultural Strategy

Also present:

Councillors
P J Cousins, J A Deakin, F B Mountain, J A Potter, S J Robinson, G C Seeley and M Springett

1. **Apologies for Absence**

There were no apologies for absence.

2. **Declarations of Interests**

Members of the Cabinet were reminded to declare at the appropriate time any personal and prejudicial interests in any of the items of business on the meeting's agenda. None were declared.

3. **Minutes and Decisions Called-in**

The minutes of the meeting on 16 October 2018 were confirmed as a correct record and signed by the Chairman. No decisions at that meeting had been called in.

4. **Public Questions**

No questions were asked or statements made by members of the public.

5. **Members' Questions**

Councillors who were not members of the Cabinet asked questions or made statements on the following matters:

Councillor F B Mountain on when the barrier to the Civic Centre car park would be repaired.

The meeting was informed that delivery was awaited of the necessary parts and enquiries would be made about when the repair would be carried out.

Councillor S J Robinson on whether bins of the design used in the High Street which could accept recyclable and non-recyclable waste could be installed in other parts of Chelmsford.

The Cabinet Member for Waste Management, Recycling and Parking Services said that he would look into the possibility of doing that.

Councillor J A Deakin on whether other members would support a suggestion that councillors attending the Christmas meal after the next Council meeting bring along items to donate to the local food bank.

The Leader of the Council said that he would consider that suggestion.

7.00pm to 7.04pm

6.1 **Treasury Management Mid-Year Review 2018/19 (Finance)**

Declarations of Interest: None

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

Options: Approve the strategy or recommend changes to the management of the Council's investments.

Chosen Option and Reasons: The existing investment strategy was proving to be sound and productive and required no changes at present.

Discussion: Asked whether there were risks associated with the investment of funds with local authorities responsible for social services functions, the Cabinet Member for Finance said that the Council's treasury advisors had not flagged such investments as having undue risks. Whilst the rates associated with investing with other local authorities were generally consistent with those of other types of investment, the Council had invested a greater portion of its cash in other funds where, at the time, the rates had been more favourable.

RECOMMENDED TO THE COUNCIL that:

1. it notes that Treasury Management operations have complied with the prescribed strategy;
2. it notes 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. it recognises that the investment strategy does result in some risk to capital invested but that this is at an appropriate level.

7.04pm to 7.08pm

6.2 **Mid-Year Review of the 2018/19 Budget (Finance)**

Declarations of Interest: None

Summary: The Cabinet considered a [report](#) which examined the Council's original budget for 2018/19 against the financial activity to date and provided an update on the level of projected reserves.

Options: Accept the mid-year budget or make amendments to the agreed budget.

Chosen Option and Reasons: The mid-year budget reflected reasonable variations to the original budget and the projected reserves were satisfactory.

Discussion: With regard to the reduction in income from the summer music festival in Hylands Park, the Cabinet Member for Parks said that discussions were being held with the organiser about future events and how best the Council could achieve the most favourable income stream. The discussions had been satisfactory but, as they concerned sensitive commercial matters, details could not be provided at this meeting.

In response to a question as to when changes were expected to the system of business rates, the Cabinet Member for Finance said that the government would be making an announcement on 6 December 2018. One of the main areas of interest for local authorities would be the effect on them of the reorganisation of business rates and what it would mean in terms of their income.

It was pointed out that the introduction of Universal Credit in other parts of the country had reportedly led to an increase in personal debt and homelessness among recipients. Asked whether this was likely to happen in Chelmsford, the Cabinet Member for Strategic Housing pointed to the experience with the introduction of the Homelessness Prevention Act. It had led to an increase in the number of homeless people elsewhere in the country but in Chelmsford, through the work and diligence of the Council's Housing Services staff and the restructuring of the Service to focus on homelessness prevention, the numbers going into temporary accommodation had fallen. The Cabinet Member believed that the effects of Universal Credit on homelessness could similarly be managed by the Housing Service and that the number presenting as homeless in Chelmsford would continue to decrease. The Cabinet Member added that the Service had also been successful in improving the collection rates for rents and arrears of rent in recent months.

RECOMMENDED TO THE COUNCIL that it approve the proposed changes to the 2018/19 budget and Reserves as set out in the report to the meeting and Appendices 1 and 2.

7.08pm to 7.18pm

7.1 **Review of the Constitution (Information Technology and Corporate Services)**

Declarations of Interest: None

Summary: The Cabinet's views were requested on 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.

Options: Support or not the proposed amendments to the Constitution.

Chosen Option and Reasons: The proposed changes would improve the efficiency of decision-making.

RECOMMENDED TO THE COUNCIL that the three changes to the Constitution detailed in the [report to the meeting](#) be endorsed.

7.18pm to 7.20pm

7.2 **Police, Fire and Crime Panel (Information Technology and Corporate Services)**

Declarations of Interest: None

Summary: The County Council had invited this Council's comments on proposed changes to the Constitution of the Police, Fire and Crime Panel, which oversaw the work of the Police, Fire and Crime Commissioner for Essex.

Options: Approve or not the proposed changes to the Panel's Constitution.

Chosen Option and Reasons: The revised Constitution updated and reflected changes to the operation of the Panel since its establishment.

RESOLVED that the revised Constitution documents for the Police, Fire and Crime Panel submitted as appendices to the [report to the meeting](#) be approved.

7.20pm to 7.22pm

8.1 **Chelmsford City Council Authority Monitoring Report (Planning and Economic Development)**

Declarations of Interest: None

Summary: The Cabinet received the latest [Authority Monitoring Report](#) (AMR) for Chelmsford prepared in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012. The AMR, the publication of which had been supported by the Development Policy Committee on 8 November 2018, was used to monitor the implementation of the Local Development Scheme and the extent to which the policies in the Local Plan were being achieved.

Options: Approve or amend the AMR before its publication.

Chosen Option and Reasons: The AMR was factual and met the requirements of the 2012 Regulations.

Discussion: During discussion on this item, it was pointed out that, in a number of years, the targets in the current Local Plan for the provision of new dwellings and affordable housing had not been met. The Cabinet Member for Planning and Economic Development was asked whether he would do everything in his power to ensure that those targets in next Local Plan were achieved. The Cabinet Member gave that assurance, although he added that this would be dependent on sites coming forward and the developments gaining planning approval. The meeting was also informed that where, in the past, the Council had been unable to secure the target proportion of affordable housing, it had sought additional contributions from the developer towards infrastructure and other community benefits.

RESOLVED that the Director of Sustainable Communities be authorised to publish the Authority Monitoring Report for April 2017 to March 2018.

7.22pm to 7.26pm

8.2 **Interim Policy for Mitigating the Impact of New Dwellings on European Designated Sites (Planning and Economic Development)**

Declarations of Interest: None

Summary: In advance of the adoption of the Essex RAMS, Natural England had advised that all Essex local authorities put in place an interim policy to ensure that any residential planning applications which had the potential to affect coastal European designated sites were compliant with the Habitat Regulations.

Options: Approve or amend the proposed interim policy set out in the [report](#) to the meeting.

Chosen Option and Reasons: The proposed policy met the requirements of Natural England and the Habitat Regulations.

RESOLVED that an interim policy be approved that requires all new residential development in Chelmsford to contribute £100 per dwelling unit to fund mitigation means required under the Habitat Regulations.

7.26pm to 7.28pm

9. **Urgent Business**

There were no items of urgent business.

10. **Reports to Council**

RESOLVED that the following items be the subject of report to the Council:

- Treasury Management Mid-Year Review (minute number 6.1)
- Budget Mid-Year Review (minute number 6.2)
- Review of the Constitution (minute number 7.1)

The meeting closed at 7.28pm

Chairman

CABINET
29 January 2019

AGENDA ITEM 6.1

Subject	OPTIONS FOR LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME 2019/20
Report by	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

Legal:	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.
Financial:	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:	

Consultees	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

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

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

B: Summary Details	
Description of policy, strategy or activity and what it is aiming to do	<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"> To achieve a fair and equitable scheme which helps financially vulnerable people to pay their Council Tax 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. <p>It affects:</p> <ul style="list-style-type: none"> Those liable to pay Council Tax within the borough Adults on a low income with low savings Any public authority able to levy a charge as part of Council Tax

	<input type="checkbox"/> new OR ✓ existing (<i>If existing</i> , when was the last assessment? 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
Scope: 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
Age 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.

Disability 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.
Pregnancy and maternity 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.
Marriage or Civil Partnership Could this policy discriminate on the grounds of marriage or civil partnership			No impact		

Sex Is the service used by more than one gender and are the sexes given equal opportunity?			No impact		
Gender reassignment Is there an impact on people who are going through or who have completed Gender Reassignment?			No impact		
Religion or belief Includes not having religion or belief			No impact		
Sexual Orientation What is the impact on heterosexual, lesbian, gay or bisexual people?			No impact		
Race 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
Are there any other groups who could find it difficult to access or make use of the policy / function? 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

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.
--	--	--	--	--	------------

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.	<u>Consultation/engagement</u> What consultation or engagement has been undertaken regarding this policy? <i>[If yes, please summarise what, when, who was involved and key findings]</i>	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.
2.	<u>Data/Information</u> 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? <i>[For example: equality monitoring, surveys, demographic data, research, evidence about demand/ take-up/satisfaction etc].</i> What additional information could be collected which would increase your understanding about the potential impact of the policy? <i>What involvement or consultation with affected groups is still needed?</i>	<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.	<i>For existing policies only:</i> What has changed since the last assessment? <i>[For example: evidence of public concern or complaints / new information has come to light / changes in service provision /</i>	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

	<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.	To eliminate unlawful discrimination, harassment and victimisation	<i>The policy has no engagement with these aims. It is aimed at assisting people to pay their Council Tax.</i>
2.	To advance equality of opportunity between people who share a protected characteristic and those who do not <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.	To foster good relations between those who share a protected characteristic and those who do not. If so, how? <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>

F: Conclusion	
Decision:	Explanation:
<input type="checkbox"/> Continue the policy with no changes <i>[For example: evidence suggests no potential for discrimination / all opportunities have been taken to advance equality.]</i>	
<input checked="" type="checkbox"/> Continue the policy with adjustments <i>[For example: Low risk of negative impact / actions or adjustments would further improve positives or remove a potential negative impact.]</i>	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.
<input type="checkbox"/> Adverse impact but continue <i>[For example: Negative impact has been objectively justified.]</i>	
<input type="checkbox"/> Suspend or withdraw the policy for further review / consideration of alternative proposals <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:

[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

Interim results 17 January 2019, consultation closes 28 January 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		3	100%
No		0	0%
Total Respondents		3	
(skipped this question)		26	

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)		26	

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	75% (3)	25% (1)	4	
Use the Council's reserves	75% (3)	25% (1)	4	
Reduce funding available for other Council Services	25% (1)	75% (3)	4	
Total Respondents				4
(skipped this question)				25

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	50% (2)	50% (2)	0% (0)	4	
Use the Council's reserves	50% (2)	50% (2)	0% (0)	4	
Reduce funding available for other Council Services	0% (0)	0% (0)	100% (4)	4	
Total Respondents					4
(skipped this question)					25

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	3	75%
No	1	25%
Don't know	0	0%
Total Respondents		4
(skipped this question)		25

**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%		1	33%
30%		0	0%
35%		1	33%
More than 35%		0	0%
Don't know		0	0%
Other, please specify	23%	1	33%
Total Respondents		3	
(skipped this question)			26

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

		Response Total	Response Percent
Yes		1	25%
No		3	75%
Don't know		0	0%
Total Respondents		4	
(skipped this question)			25

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		4	100%
No		0	0%
Don't know		0	0%
Total Respondents			4
(skipped this question)			25

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		3	75%
No		0	0%
Don't know		1	25%
Total Respondents			4
(skipped this question)			25

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		4	100%
No		0	0%
Don't know		0	0%
Total Respondents			4
(skipped this question)			25

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?

		Response Total	Response Percent
Yes		4	100%
No		0	0%
Don't know		0	0%
Total Respondents		4	
(skipped this question)			25

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	25%
No		3	75%
Don't know		0	0%
Total Respondents			4
(skipped this question)			25

16. Are you...?

		Response Total	Response Percent
Male		2	50%
Female		2	50%
Prefer not to say		0	0%
Total Respondents			4
(skipped this question)			25

17. Age

		Response Total	Response Percent
18 - 24		0	0%
25 - 34		0	0%
35 - 44		0	0%
45 - 54		3	75%
55 - 64		1	25%
65 - 74		0	0%
75 - 84		0	0%
85+		0	0%
Prefer not to say		0	0%
Total Respondents			4
(skipped this question)			25

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

		Response Total	Response Percent
Yes		1	25%
No		3	75%
Not Sure		0	0%
Prefer no to say		0	0%
Total Respondents			4
(skipped this question)			25

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

		Response Total	Response Percent
Yes		0	0%

No		4	100%
Not sure		0	0%
Prefer not to say		0	0%
Total Respondents		4	
(skipped this question)			25

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

		Response Total	Response Percent
Yes		0	0%
No		4	100%
Not sure		0	0%
Prefer not to say		0	0%
Total Respondents		4	
(skipped this question)			25

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

		Response Total	Response Percent
Yes		1	25%
No		3	75%
Not sure		0	0%
Prefer not to say		0	0%
Total Respondents		4	
(skipped this question)			25

22. Ethnic Origin: What is your ethnic group?

		Response Total	Response Percent
White British		4	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		0	0%

African			
Mixed White / Black Caribbean		0	0%
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%
Total Respondents			4
(skipped this question)			25

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

CM2, CM2, CM1	Total Respondents	3
(skipped this question)		26

CABINET
29 January 2019
AGENDA ITEM 6.2

Subject	AMENDMENT TO BUSINESS RATE DISCRETIONARY RELIEF POLICY
Report by	CABINET MEMBER FOR FINANCE

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

Purpose

To add a new Retail Discount to the Business Rate Discretionary Relief Policy, remove reference to the Pub Relief Scheme and to rationalise the existing format of the policy.

Options

Agree or reject the additions and deletions as outlined.

Recommendation

That the additions and changes to the existing Discretionary Rate Relief policy (Appendix A) are agreed and the new policy be set out as in Appendix B.

Corporate Implications

Legal:	All relevant legal considerations are addressed in the body of the report.
Financial:	None, unless Government decides that rate relief has been given inappropriately.
Personnel:	None
Risk Management:	None
Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out? (N))	No
Health and Safety:	None
IT:	None
Other:	None

Consultees	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:

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. Introduction/Background

1.1 Over the last few years, Central Government has provided a substantial amount of additional support to businesses. Due to pressure on parliamentary time, it has not done this by changing legislation around business rate reliefs, discounts or exemptions. Instead it has requested that local authorities use discretionary relief powers which were introduced by the Localism Act (under s47 of the Local Government Finance Act 1988, as amended). In return for this, Government has committed to fully reimburse local authorities for the cost of granting these various discretionary reliefs by way of grants under s31 of the Local Government Act 2003.

1.2 The number and variety of these reliefs has been such that the Council has made a number of amendments to its Discretionary Relief Policy since 2013 and this is a good opportunity to remove references to expired relief schemes, such as Pub Relief, as well as introducing a new Retail Discount.

2. The Retail Discount

2.1 The Government announced in the Budget on 29 October 2018, that it would provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21. The value of the discount should be one third of the rates bill. The one third discount must only be calculated after any mandatory reliefs (such as charitable relief) and other reliefs funded by s31 grants (such as transitional relief) have been applied. The Government has supplied guidance as to what it considers to be a retail property, but it will be left to local authorities to make decisions in individual cases as to whether the discount applies.

Retail Discount 2019/20 and 2020/21 – wording for Appendix B, the consolidated Discretionary Rate Relief Policy

- 2.2 There is no relief available under this policy for properties with a rateable value of more than £51,000.
- 2.3 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis using the following formula:

$$\text{Amount of relief to be granted} = \frac{V}{3}$$

Where:

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants

- 2.4 This should be calculated by ignoring any prior year adjustments in liabilities which fall to be liable on the day.
- 2.5 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de minimis limits.

3. Which types of use are eligible?

- 3.1 To qualify for the relief, the hereditament should be wholly or mainly used as a shop, restaurant, café or drinking establishment. This is a test of use not occupation. Hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.
- 3.2 The lists below are not exhaustive. Uses that are broadly similar to those listed below will be considered eligible for the relief.
- a) Hereditaments that are being used for the sale of goods to visiting members of the public:
- Shops (such as florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licence, chemists, newsagents, hardware stores, supermarkets, etc)
 - Charity shops
 - Opticians
 - Post Offices
 - Furnishing shops/display rooms e.g. carpet shops, double glazing, garage door showrooms
 - Car/caravan showrooms
 - Second-hand car lots
 - Markets
 - Petrol stations
 - Garden centres
 - Art galleries (where art is for sale/hire)
- b) Hereditaments that are being used for the provision of the following services to visiting members of the public:
- Hair and beauty services (such as hairdressers, nail bars, beauty salons, tanning shops, tattoo parlours etc)
 - Shoe repairs/key cutting

- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners/laundrettes
- PC/TV/domestic appliance repair
- Funeral directors
- Photo processing
- DVD/video rentals
- Tool hire
- Car hire

c) Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

4. Which types of use are not eligible?

4.1 As before, the lists below are not exhaustive but uses broadly similar to those set out below will not be considered eligible for the relief.

a) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (such as banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers etc)
- Other services (such as estate agents, letting agents, employment agencies etc)
- Medical services (such as vets, doctors, dentists, osteopaths, chiropractors etc)
- Professional services (such as solicitors, accountants, insurance agents, financial advisors, tutors etc)
- Post office sorting offices

b) Hereditaments that are not reasonably accessible to visiting members of the public

4.2 Generally, any assembly or other uses beyond those in para 3.2 are not considered to be retail uses for the purpose of this discount. For example, cinemas, theatres and museums are outside the scope, as are nightclubs and music venues that are not similar to uses in 3.2(c). Hereditaments used for sport or physical recreation are also outside the scope.

4.3 The relief should be applied on a day to day basis using the formula set out in 2.2. A new hereditament created as a result of a split or merger during the relevant financial years, or where there is a change of use, should be considered afresh for relief on that day.

5. Conclusion

- 5.1 The proposed amendments to the policy update it and reflect the latest Government changes with regard to discretionary rate relief.

Appendices

Appendix A – Existing Policy
Appendix B – Proposed Policy

Background papers

None

CHELMSFORD CITY COUNCIL'S DISCRETIONARY RATE RELIEF POLICY

1. Introduction

- 1.1 As part of the Local Government Finance Act 1988, Section 47, Local Authorities are provided with the power to award discretionary rate relief to a range of organisations, including charities, Community Amateur Sports Clubs and other non-profit making bodies.
- 1.2 In the case of charities, the ratepayer must be a charity or trustee for a charity and the property must be wholly or mainly used for charitable purposes. Mandatory relief of 80% will be given in such cases, and charities can also receive up to a further 20% discretionary relief.
- 1.3 In the case of Community Amateur Sports Clubs, these must be registered with HM Revenue & Customs in order to be eligible for 80% mandatory relief. They can also receive up to a further 20% discretionary relief.
- 1.4 In the case of non-profit making organisations, all or part of the property must be occupied by an institution or organisation which is not established or conducted for profit and whose main objectives are charitable or otherwise philanthropic or religious, or concerned with education, social welfare, science, literature or the fine arts or it is wholly or mainly used for the purposes of recreation.

2. Awarding Relief

- 2.1 The Council's policy for determining applications for discretionary rate relief can be divided into 2 parts as follows:

Part 1

A 'top-up' discretionary rate relief of up to 20% may be granted to charitable organisations who already receive 80% mandatory relief.

The Council currently chooses to award 'top-up' relief to scouts, guides and the sea cadets.

Part 2

It is intended that the scheme provides a mechanism for sports clubs and organisations to continue and expand their role in providing sports development opportunities, by maximising the availability of relief to those clubs and organisations who operate in accordance with the Council's aspirations for the development of sport in the City.

All sports clubs and organisations will start off with a flat rate of 40% rate relief, provided that they meet the following criteria:

- (a) The primary purpose of the club/organisation should be to provide sporting opportunities to its members or to a local community
- (b) Membership should be open to all members of the community irrespective of gender, race, age, disability, religious belief and financial circumstances
- (c) Membership fees should be realistic and not used as a means of restricting membership to a particular community group

- (d) Profits and surpluses must be used to further the sporting objectives of the club/organisation and not distributed as a share or dividend amongst some or all members
- (e) A legal constitution must be in existence and applicants must demonstrate that they are operating in accordance with its requirements

3. Adjusted Relief

3.1 Applicants who meet all of the above criteria and are awarded the basic 40% rate relief, will also be able to have their relief adjusted by some or all of the following:-

- 10% The applicant can demonstrate a close working relationship with local schools & disabled groups and where practical, has supported the development of their sport(s) in schools and has encouraged and assisted school pupils and/or disabled persons to join appropriate clubs. The applicant undertakes to continue this development work
- 10% The applicant can demonstrate support for its coaches and administrators to obtain further relevant qualifications, e.g. coaching qualifications, National Coaching Foundation courses, Running Sport courses etc. The applicant undertakes to continue this work.
- 10% The applicant can demonstrate that they have provided opportunities for regular use of its facilities and equipment by outside groups/the Council's Sports Development Unit and undertakes to continue this policy
- 10% The applicant can demonstrate that they have in place or are working towards a development plan and (if applicable) a child protection policy
- 20% Should less than 50% of members be resident in the City, then a reduction in relief of 20% of the total rate liability will be made

Table of relief at current levels.

Relief	
Discretionary Rate Relief	Base level of 40%
Work with Schools or Disadvantaged Groups	+10%
Support for coaches/administrators	+10%
Shared use of facilities	+10%
Current Development Plan/child protection policy	+10%
Less than 50% of members resident in the borough	-20%

EXTENSION TO CHELMSFORD CITY COUNCIL'S DISCRETIONARY RATE RELIEF POLICY APRIL 1 2013

1. Introduction

- 1.1 Section 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988. The changes came into effect from 1 April 2012 and they extend the existing provision relating to the granting of discretionary rate relief.
- 1.2 The changes allow Local Authorities to grant discretionary rate relief in any circumstances where it feels fit. However, the whole cost of any relief awarded will have to be met by the City's Council Tax payers.

2. Awarding Relief

- 2.1 Any ratepayer applying for discretionary rate relief who does not meet the criteria for relief under the existing policy must meet all of the following criteria and any award will be based on these factors:
 - (a) The ratepayer must not be entitled to mandatory rate relief (Charity or Rural Rate Relief)
 - (b) The ratepayer must not be an organisation that could receive relief as a non-profit making organisation or as Community Amateur Sports Club.
 - (c) The ratepayer must occupy the premises – no relief will be granted for unoccupied properties
 - (d) The premises and the organisation must be of significant benefit to the residents of the City
 - (e) The ratepayer must:
 - (i) Provide facilities to certain priority groups such as elderly, disabled, minority or disadvantaged groups, OR
 - (ii) Provide significant employment or employment opportunities to residents of the City
 - (f) Provide residents of the City with such services, opportunities or facilities that cannot be obtained locally or are not provided by another organisation
 - (g) The ratepayer must show that the organisation will comply with all legislative requirements and operate in an ethical, sustainable and environmentally friendly manner at all times
- 2.2 Where a ratepayer can demonstrate that all of the above criteria are met, any award must have due regard to:
 - (a) the financial status of the applicant when determining the level of relief to be granted, and
 - (b) the impact and best interests of the Council Tax payers of the City
- 2.3 Relief will not be given to those organisations where a bar is the main activity. It would be expected that any bar profits would be used to offset any expenses thus negating the reliance on public funds.

- 2.4 Where a ratepayer is suffering hardship or severe difficulties in paying their rates liability then an application may be made for relief under Section 49 of the Local Government Finance Act 1988. There will be no requirement to grant relief in such cases under the Council's discretionary rate relief policy.
3. **Level and Period of Relief granted**
- 3.1 The level of relief to be granted, if any, will range from 0% to 100% of the ratepayer's liability. Given the continuing reduction in government grant funding to the Council, awards of discretionary rate relief will be made for a fixed period and reviewed on an annual basis.
4. **Equality and Diversity Implications**
- 4.1 It is important that the Discretionary Rate Relief Policy clearly shows the criteria on which premises could be eligible so that all potential applicants are aware of why their application has been either accepted or refused.
5. **Right of Appeal**
- 5.1 There is no statutory right of appeal against a decision made by the Council in respect of discretionary rate relief. However, the Director of Finance will review the decision if the ratepayer is dissatisfied with the outcome.
- 5.2 If an unsuccessful applicant requests a review, they will still need to continue to pay their rates bill. Once the review has been carried out, the ratepayer will be informed, in writing, of the decision.
- 5.3 The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review.

Section in red font below has been deleted and does not appear in new discretionary rate relief policy – Appendix B

**CHELMSFORD CITY COUNCIL'S RETAIL RATE RELIEF AND BUSINESS RATES
REOCCUPATION RELIEF POLICY 2014/15 and 2015/16**

1 APRIL 2014

1. **Introduction**
- 1.1 Section 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988. The changes came into effect from 1 April 2012 and they extend the existing provision relating to the granting of discretionary rate relief. The changes allow Local Authorities to grant discretionary rate relief in any circumstances where it feels fit.
- 1.2 This policy sets out Chelmsford City Council's approach to reducing business rates bills by up to £1,000 per year in respect of occupied properties with a rateable value of £50,000 or less, which are being used as shops, restaurants, cafes or drinking

establishments. This policy only applies for the financial years 2014/15 and 2015/16.

- 1.3 This policy also sets out Chelmsford City Council's approach to reducing business rates bills by 50% for a maximum period of 18 months where premises previously used for retail have been empty for 12 months or more and are reoccupied between 1 April 2014 and 31 March 2016.

2. Retail Rate Relief

- 2.1 The maximum amount of relief available for each property in each year is £1,000. The amount does not vary with rateable value and there is no taper.
- 2.2 There is no relief available under this policy for properties with a rateable value of more than £50,000.
- 2.3 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis using the following formula:

Amount of relief to be granted = £1000 x (A/B)

Where:

A is the number of days in the financial year that the hereditament is eligible for relief; and,

B is the number of days in the financial year

- 2.4 The retail rate relief will be applied to the net bill after all other reliefs have been taken into account. Where the net rate liability after all other reliefs is less than £1,000, the maximum amount of retail rate relief will be no more than the value of the net rate liability.
- 2.5 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de-minimis limits.

3. Which types of use are eligible?

- 3.1 To qualify for the relief, the hereditament should be wholly or mainly used as a shop, restaurant, café or drinking establishment. This is a test of use not occupation. Hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.
- 3.2 The lists below are not exhaustive. Uses that are broadly similar to those listed below will be considered eligible for the relief.
- a) Hereditaments that are being used for the sale of goods to visiting members of the public:
- Shops (such as florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licence, chemists, newsagents, hardware stores, supermarkets, etc)
 - Charity shops
 - Opticians
 - Post Offices
 - Furnishing shops/display rooms e.g. carpet shops, double glazing, garage door showrooms
 - Car/caravan showrooms
 - Second-hand car lots
 - Markets

- Petrol stations
 - Garden centres
 - Art galleries (where art is for sale/hire)
- b) Hereditaments that are being used for the provision of the following services to visiting members of the public:
- Hair and beauty services (such as hairdressers, nail bars, beauty salons, tanning shops, tattoo parlours etc)
 - Shoe repairs/key cutting
 - Travel agents
 - Ticket offices e.g. for theatre
 - Dry cleaners/laundrettes
 - PC/TV/domestic appliance repair
 - Funeral directors
 - Photo processing
 - DVD/video rentals
 - Tool hire
 - Car hire
- c) Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:
- Restaurants
 - Takeaways
 - Sandwich shops
 - Coffee shops
 - Pubs
 - Bars

4. Which types of use are not eligible?

4.1 As before, the lists below are not exhaustive but uses broadly similar to those set out below will not be considered eligible for the relief.

- a) Hereditaments that are being used for the provision of the following services to visiting members of the public:
- Financial services (such as banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers etc)
 - Other services (such as estate agents, letting agents, employment agencies etc)
 - Medical services (such as vets, doctors, dentists, osteopaths, chiropractors etc)
 - Professional services (such as solicitors, accountants, insurance agents, financial advisors, tutors etc)
 - Post office sorting offices
- b) Hereditaments that are not reasonably accessible to visiting members of the public

5. Business Rates Reoccupation Relief

5.1 The available relief is a 50% business rate discount for 18 months for businesses moving into previously empty retail properties between 1 April 2014 and 31 March 2016, subject to the hereditament being continuously occupied.

- 5.2 The 50% discount is to be applied after any mandatory or discretionary reliefs (except retail rate relief) have been awarded, subject to State Aid de minimis limits. A business may receive up to €200,000 in aid such as this over a period of three years.
- 5.3 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis.
- 5.4 There is no limit on the rateable value of a hereditament that can benefit from this relief.
- 5.5. Properties that will benefit for the relief will be occupied hereditaments that:
- when previously in use, were wholly or mainly used for retail as set out in section 6 below;
 - were empty for 12 months or more immediately before their reoccupation;
 - become reoccupied between 1 April 2014 and 31 March 2016;
 - are being used for any purpose (i.e. not just retail use) except as set out in paragraph 5.6 below.
- 5.6 Hereditaments being used wholly or mainly as betting shops, payday loan shops or pawn brokers will not qualify for business rates reoccupation relief.

6. What was 'retail' use?

- 6.1 The list below is not intended to be exhaustive, but uses broadly similar in nature will be considered to be retail for the purpose of determining the previous use of a hereditament.
- a) Hereditaments that were being used for the sale of goods to visiting members of the public:
 - Shops, such as florists, bakers, butchers, grocers, greengrocers, jewellers, off licence, chemist, newsagents, hardware stores, supermarkets, etc
 - Charity shops
 - Opticians
 - Post Offices
 - Furnishing shops/display rooms such as carpet shops, double glazing, garage doors
 - Car/caravan show rooms, second hand car lots
 - Markets
 - Petrol stations
 - Garden centres
 - Art galleries, where art is for sale or hire
 - b) Hereditaments that were being used for the provision of the following services principally to visiting members of the public:
 - Hair and beauty services (hairdressers, nail bars, beauty salons, tanning shops)
 - Shoe repairs/key cutting
 - Travel agents, ticket offices eg for theatre, leisure events
 - Dry cleaners, launderettes
 - PC/TV/domestic appliance repair, Video/DVD/Bluray rentals
 - Funeral directors
 - Photo processing
 - Tool/car hire
 - c) Hereditaments that were being used for the provision of the following services

- principally to visiting members of the public:
 - Financial services e.g. banks, building societies, bureaux de change, payday loan shops, betting shops, pawn brokers
 - Other services e.g. estate agents, letting agents, employment agencies
- d) Hereditaments that were being used for the sale of food and/or drink to visiting members of the public:
- Restaurants, takeaways, sandwich shops, coffee shops, pubs, bars

7. Splits, mergers and changes to existing hereditaments

- 7.1 Where a new hereditament has been created by a split or merger of hereditament(s), the new hereditament will be eligible for Reoccupation Relief where at least half the floor area of the new hereditament is made up of retail hereditaments that have been empty for 12 months or more, subject to meeting the other criteria in paragraphs 5.5 and 5.6.
- 7.2 Where a hereditament in receipt of Reoccupation Relief splits or merges to form new hereditaments, the new hereditaments will not be eligible for the remaining term of Reoccupation Relief.
- 7.3 Where a hereditament in receipt of Reoccupation Relief becomes unoccupied for any period of time less than 12 months, it will not be eligible for any further Reoccupation Relief on occupation. However, a hereditament that has previously received Reoccupation Relief will be eligible for a further 18 months Reoccupation Relief if it has been empty for 12 months or more and all other criteria are met.
- 7.4 If a hereditament is in receipt of Reoccupation Relief and a new ratepayer becomes liable for the property, without the property being empty for any period, they will benefit from the remaining term of the relief.

ADDITION TO CHELMSFORD CITY COUNCIL'S DISCRETIONARY RELIEF POLICY TO INCLUDE THE GOVERNMENT'S BUDGET CHANGES FOR SUPPORTING SMALL BUSINESS SCHEME, NEW DISCRETIONARY HARDSHIP SCHEME AND NEW BUSINESS RATE RELIEF SCHEME FOR PUBS.

01 April 2017

1. Introduction

The transitional scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be facing very large percentage increases in bills from 01 April 2017.

2. Supporting Small Businesses Scheme

The Supporting Small Businesses relief scheme will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.

There is no discretion around whether to grant this relief if the terms of the scheme are met.

The Supporting Small Businesses relief scheme will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- a. a percentage increase p.a. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation, or
- b. a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.

In the first year of the scheme, this means all ratepayers losing some or all of their small business rate relief or rural rate relief will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who are currently paying nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5.

Those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme.

Ratepayers remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme. A change of ratepayers will not affect eligibility for the Supporting Small Businesses relief scheme but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.

There is no 2nd property test for eligibility for Supporting Small Business relief scheme. However, those ratepayers who during 2016/17 lost entitlement to small business rate relief because they failed the 2nd property test but have, under the rules for small business rate relief, been given a 12 month period of grace before their relief ended can continue on the scheme for the remainder of their 12 month period of grace.

As with all reliefs, the amount of relief awarded under the Supporting Small Business relief scheme should be recalculated in the event of a change to the rateable value or the hereditament. This change of circumstance could arise during the year in question or during a later year.

The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) require authorities to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, local authorities may still make decisions which allow the amount of relief to be amended within the year to reflect changing circumstances.

Therefore, when making an award for Supporting Small Business relief, the conditions of the award that the relief is allowed include that it can be recalculated in the event of a change to the rating list (retrospective or otherwise). This is so that the relief can be recalculated if the rateable value changes. This applies to all Discretionary Relief awarded by Chelmsford City Council.

Detailed guidance for operation of the Supporting Small Business (SSB) scheme

Day 1 Eligibility for the Scheme

For 1 April 2017, the supporting small business (SSB) relief scheme applies to hereditaments for which ratepayers lose some or all of their small business rate relief or rural rate relief.

- a. The chargeable amount for 31 March 2017 is calculated in accordance with section 43(4B) or (6B),
- b. In relation to 43(4) the value of E for 31 March 2017 is greater than 1,
- c. The chargeable amount for 01 April 2017 is found in accordance with section 43(4), 43(4B), 43(6A), or where regulations 12(3), 12(7) or 12(9) of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No.1265 applies, and
- d. The chargeable amount 1 April 2017 is more than (£600/365) higher than the chargeable amount for 31 March 2017.

Where for 31 March 2017 the chargeable amount has been found under section 47, then eligibility for SSB should be determined as if section 47 did not apply.

Continued eligibility for the scheme after 1 April 2017

After 1 April 2017, the Supporting Small Business (SSB) scheme will cease to apply where:

- a. The chargeable amount for a day found under the SSB scheme is the same as or more than the chargeable amount found in the absence of the SSB scheme. This ensures that where, for example, the minimum increase in the chargeable amount in the SSB scheme would take the bill above the level it would otherwise have been then the hereditament will drop out of the SSB scheme. It also ensures that where, for example, with effect from after 1/4/17, the hereditament becomes eligible for 100% Small Business Rate Relief then they also fall out of the SSB scheme,
- b. The chargeable amount for a day would otherwise fall to be found by section 43(5) or where paragraph 12(5) or sub-paragraphs 2(4), 3(4), 4(4), 5(4) of Schedule 2 of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No.1265 applies (charities or registered community amateur sports clubs), or
- c. The hereditaments for a day is unoccupied.

Furthermore, where the ratepayer during 2016/17 lost entitlement to small business rate relief because they failed the 2nd property test but have, under the rules for small business rate relief, been given a 12 month period of grace before their relief ended (and therefore was still entitled to small business rate relief on 31 March 2017), then eligibility for the SSB scheme will cease at the end of that 12 months period of grace.

Hereditaments which cease to be entitled to Supporting Small Businesses for a day cannot return to eligibility if their circumstances change from a later day. For example, if a property falls unoccupied it will not then be eligible for Supporting Small Businesses relief if it subsequently becomes occupied again.

Chargeable Amount under the Supporting Small Businesses Scheme

Where the Supporting Small Businesses scheme applies then DCLG will fund local authorities to apply a chargeable amount under section 47 of the 1988 Act for the period 1 April 2017 to 31 March 2022 found in accordance with the rules in (Part 1 to Part 3 of) the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No.1265 subject to the following changes:

- a. BL for 2017/18 is the chargeable amount for 31 March 2017 x 365 (on the assumption that section 47 did not apply for 31 March 2017 and on the assumption in the City of London that the special authority's small business non-domestic rating multiplier was 48.4p for 2016/17). This ensures the starting base liability for hereditaments eligible for SSB include the SBRR or rural rate relief for 31 March.
- b. Where the certificate has been issued under regulations 17 or 18 then BL 2017/18 should be found in line with a) above but on the assumption that the rateable value in the rating list was the rateable values as certified.
- c. References to "(BL x AF)" are to "(BL x AF)" or (BL + 600) whichever is the greater". This ensures the bill increase is greater or £600 or the increase under the caps in transitional relief scheme,
- d. AF is found in accordance with regulation 10(6) irrespective of the rateable value of the hereditament for 1 April 2017. This ensures only the cap on increases for small properties is applied in the SSB scheme irrespective of the actual rateable value of the hereditament,
- e. Regulation 12(6)(b) is omitted. This ensures SBRR is not also applied to the capped bill in the SSB scheme. This avoids double counting of relief,
- f. The reference to "2" in regulation 12 (8) is "1". This ensures rural rate relief is not also applied to the capped bill in the SSB scheme. This avoids double counting of relief,
- g. "U" is taken to have a value of 0 throughout. This ensures that any hereditament whose rateable value is £51,000 or more does not have to pay the 1.3p supplement whilst eligible for SSB relief,
- h. For a year (the year concerned) other than 2017/18, BL is (BL x AF) or (BL + 600) from the year immediately the year concerned whichever is the greater.

No change is made to the meaning of NCA. However, as discussed above, eligibility for Supporting Small Business relief ceases when the chargeable amount for a day found under the Supporting Small Businesses scheme is the same as or more than the chargeable amount found outside the scheme.

For the avoidance of doubt, the rules for changes in rateable value with effect from after 1 April 2017 (regulation 13) will continue to apply as normal subject to the amendments above in sections a to h.

Splits and Mergers

The SSB scheme will apply to hereditaments;

- a. Coming into existence because of the circumstances described in paragraph 1 of Schedule 2 of Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265,
- b. Where one of the hereditaments from which the new hereditament was formed in whole or in part was for the day immediately before the creation day eligible for the SSB scheme, and
- c. The circumstances described above in points a to h above do not apply for the creation day in respect of the hereditament.

After the creation day, the SSB scheme will cease to apply in the circumstances described in points a to h above.

The number of hereditaments eligible for SSB which then split or merge is likely to be very small and devising rules in particular for mergers with properties outside of the SSB scheme would be complex. Therefore, in discussions with local authority stakeholders, DCLG has concluded it would be disproportionate to devise detailed rules to prescribe the chargeable amounts in the various circumstances which could arise from a split or a merger. Instead, for hereditaments meeting the criteria in paragraph 39 and 40 above, DCLG will fund local authorities to apply a chargeable amount under section 47 of the 1988 Act found in accordance with the following principle:

- a. That the protection offered by the SSB scheme (that the bill will not rise by the greater of £600 p.a. or the transitional relief caps) will continue to apply in principle to that part of the newly created hereditament which was immediately before the creation day in the SSB scheme, and
- b. That increases (or reductions) in overall rateable value arising from the split or merger are not subject to the protection of the SSB scheme.

For simple splits of hereditaments previously eligible for SSB, authorities may wish to simply apportion the chargeable amount in the SSB scheme for the hereditament before the split in line with the change in rateable value from the split) i.e. in line with the principle in Schedule 2 of Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265). For mergers and reorganisations, authorities will have to estimate the degree to which, in line with the principle of the SSB scheme, that part of the hereditament which was formerly eligible for SSB should continue to receive support under the SSB scheme. DCLG does not expect authorities to seek any formal apportionments of rateable value for this purpose.

3. Local Discretionary Business Rate Relief Scheme

Chelmsford is looking to invite ratepayers, most adversely affected by the rating changes on 01 April 2017 or those suffering hardship following the revaluation to apply for support to reduce their rate burden. The award of relief will be discretionary and will be allowed where there has been an increase in rates since the revaluation, which is considered to have caused substantial trading difficulties for the business concerned.

The Local Discretionary Rate Relief Scheme applies for the years 01 April 2017 to 31 March 2021 only. Awards will run for one financial year only. Under the scheme relief will only be provided where the ratepayer's bill has increased due to the 2017 revaluation.

The assistance the Council is able to offer under the scheme will be limited to the funding provided which for the 2017/18 rating year is £272,000; for 2018/19 - £132,000; for 2019/20 - £54,000; and, for 2020/21 - £8,000.

Where a qualifying ratepayer's 2017/18 and, or 2016/17 rates bill is reduced for any of the following reasons, the amount of their relief will be reduced or removed accordingly:

- A reduction in rateable value in the 2010 and, or 2017 rating lists
- The provision of a certified value for the 2010 rating list or historical change
- The application of any additional rate relief or exemption
- Vacation and re-occupation of the property
- Any other reason

Ratepayers who may benefit from the Scheme will be in occupation of a property with a rateable value of up to £150,000 and will not fall into one of the categories listed below:

- Financial Services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, amusement arcades, pawn brokers)
- Other Services (e.g. estate agents, letting agents)
- Professional Services (e.g. solicitors, accountants, insurance agents/ financial advisers)
- Post office sorting office

Further Exclusions - For properties where any of the following apply, the ratepayer will not be eligible for local discretionary business rate relief:

- Properties that are operated by the same organisation/ business, where the business forms part of a chain of three or more units within the UK or in the UK and Overseas.
- Ratepayers in receipt of small business rate relief support which limits increases on small properties caused by the loss of small business rates relief to £600.
- Ratepayers occupying properties after 01 April 2017 unless they occupied those properties for a period of one month or more during during 2016/17.
- Properties which were not on the rating list at 01 April 2017. (Relief will not apply where properties are entered into the list retrospectively).
- Properties which are unoccupied.
- Large organisations such as Housing Associations, NHS.
- Where the award of relief would not comply with E U law on State Aid.

How Local Discretionary Business Rate Relief is Calculated:

Local discretionary business rate relief is calculated after any or all of the following have been applied:

- Exemptions and other reliefs
- Transitional Relief or Premium

The amount of relief awarded will be based on need and an application being made by the ratepayer.

The ratepayer will need to satisfy the following conditions:

- the ratepayer is able to satisfy the billing authority that they are not able to meet their full rating liability or part of their liability.
- the ratepayer is able to demonstrate that all reasonable steps have been taken to meet their full business rate liability including applications for alternative reliefs and grants that may be available to them.
- enforced payment of their full rating liability would result in hardship as defined by insufficient cash flow being available to realistically allow the business to continue trading if support was not provided.
- Local Discretionary Business Rate relief will be granted only on the basis that money is available from the section 31 Grant made by the Government.

All determinations of Local Discretionary Business Rates Relief will be made by the Director of Finance through a scheme of delegation to officers. Copies of all applications and decisions made will be filed electronically.

Relief granted will be added to ratepayer's accounts and a revised demand notice and where appropriate a revised instalment plan issued to the ratepayer.

The proposed scheme is designed to provide relief mainly to local businesses rather than chains. The scheme will not provide any help where a business has a property with a rateable value of more than £150,000.

Section in red font below has been deleted and does not appear in new discretionary rate relief policy – Appendix B

4. New Pub Relief Scheme

A payment of £1000 will be paid to public houses, where they meet the criteria set out by the Government.

This scheme will be available to eligible occupied properties with a rateable value of less than £100,000. The majority of pubs are independently owned or managed and will not be part of chains. Where pubs are part of a chain, relief will be available for each eligible property in the chain, subject to meeting State Aid requirements.

The Government's policy intention is that eligible pubs should:

- Be open to the general public
- Allow free entry other than when occasional entertainment is provided
- Allow drinking without requiring food to be consumed
- Permit drinks to be purchased at a bar.

For these purposes, it should exclude:

- Restaurants
- Cafes
- Nightclubs
- Hotels
- Snack bars
- Guesthouses
- Boarding houses
- Sporting venues
- Music venues
- Festival sites
- Theatres
- Museums
- Exhibition halls
- Cinemas
- Concert halls
- Casinos

Administration of applications for relief

Decisions relating to the granting of reliefs will be delegated to the staff reporting to the Director of Finance. Most reliefs will be granted automatically using records already held by the Council. Applications from business rate payers who think they should be eligible must be made in writing to Chelmsford City Council, Business Rates, Civic Centre, Duke Street, Chelmsford CM1 1JE.

There is no statutory right of appeal against a decision made by the Council in respect of retail rate or business rate reoccupation relief. However, the Council will review the decision if the ratepayer is dissatisfied with the outcome. The review will be carried out by the Director of Finance and the final decision made by the Director of Finance and/or the Cabinet Member for Finance.

If an unsuccessful applicant requests a review, they will still need to continue to pay their rates bill. Once the review has been carried out, the ratepayer will be informed, in writing, of the decision.

The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review.

APPENDIX B

CHELMSFORD CITY COUNCIL'S DISCRETIONARY RATE RELIEF POLICY

1. Introduction

- 1.1 Section 47 of the Local Government Finance Act 1988 allows Local Authorities to award discretionary rate relief to a range of organisations, including charities, Community Amateur Sports Clubs and other non-profit making bodies.
- 1.2 In the case of charities, the ratepayer must be a charity or trustee for a charity and the property must be wholly or mainly used for charitable purposes. Mandatory relief of 80% will be given in such cases, and charities can also receive up to a further 20% discretionary relief.
- 1.3 In the case of Community Amateur Sports Clubs, these must be registered with HM Revenue & Customs in order to be eligible for 80% mandatory relief. They can also receive up to a further 20% discretionary relief.
- 1.4 In the case of non-profit making organisations, all or part of the property must be occupied by an institution or organisation which is not established or conducted for profit and whose main objectives are charitable or otherwise philanthropic or religious, or concerned with education, social welfare, science, literature or the fine arts or it is wholly or mainly used for the purposes of recreation.

2. Awarding Relief

- 2.1 The Council's policy for determining applications for discretionary rate relief can be divided into 2 parts as follows:

Part 1

- 2.2 A 'top-up' discretionary rate relief of up to 20% may be granted to charitable organisations who already receive 80% mandatory relief.
The Council currently chooses to award 'top-up' relief to scouts, guides and the sea cadets.

Part 2

- 2.3 It is intended that the scheme provides a mechanism for sports clubs and organisations to continue and expand their role in providing sports development opportunities, by maximising the availability of relief to those clubs and organisations who operate in accordance with the Council's aspirations for the development of sport in the City.
- 2.4 All sports clubs and organisations will start off with a flat rate of 40% rate relief, provided that they meet the following criteria:
 - (a) The primary purpose of the club/organisation should be to provide sporting opportunities to its members or to a local community
 - (b) Membership should be open to all members of the community irrespective of gender, race, age, disability, religious belief and financial circumstances
 - (c) Membership fees should be realistic and not used as a means of restricting membership to a particular community group

- (d) Profits and surpluses must be used to further the sporting objectives of the club/organisation and not distributed as a share or dividend amongst some or all members
- (e) A legal constitution must be in existence and applicants must demonstrate that they are operating in accordance with its requirements

3. Adjusted Relief

3.1 Applicants who meet all of the above criteria and are awarded the basic 40% rate relief, will also be able to have their relief adjusted by some or all of the following:-

- 10% The applicant can demonstrate a close working relationship with local schools & disabled groups and where practical, has supported the development of their sport(s) in schools and has encouraged and assisted school pupils and/or disabled persons to join appropriate clubs. The applicant undertakes to continue this development work
- 10% The applicant can demonstrate support for its coaches and administrators to obtain further relevant qualifications, e.g. coaching qualifications, National Coaching Foundation courses, Running Sport courses etc. The applicant undertakes to continue this work.
- 10% The applicant can demonstrate that they have provided opportunities for regular use of its facilities and equipment by outside groups/the Council's Sports Development Unit and undertakes to continue this policy
- 10% The applicant can demonstrate that they have in place or are working towards a development plan and (if applicable) a child protection policy
- 20% Should less than 50% of members be resident in the City, then a reduction in relief of 20% of the total rate liability will be made

Table of relief at current levels.

Relief	
Discretionary Rate Relief	Base level of 40%
Work with Schools or Disadvantaged Groups	+10%
Support for coaches/administrators	+10%
Shared use of facilities	+10%
Current Development Plan/child protection policy	+10%
Less than 50% of members resident in the borough	-20%

EXTENSIONS TO CHELMSFORD CITY COUNCIL'S DISCRETIONARY RATE RELIEF POLICY

1. Introduction

- 1.1 Section 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988. The changes came into effect from 1 April 2012 and they extend the existing provision relating to the granting of discretionary rate relief.
- 1.2 The changes allow Local Authorities to grant discretionary rate relief in any circumstances where it feels fit. However, the whole cost of any purely discretionary relief awarded will have to be met by the City's Council Tax payers. Some discretionary reliefs are reimbursed in full by the Government. Full details are set out below. Currently, these reliefs are Retail Discount; Supporting Small Businesses Scheme; and, Local Discretionary Business rate Relief Scheme (2017/18 to 2020/21).

2. Awarding Relief

- 2.1 Any ratepayer applying for discretionary rate relief who does not meet the criteria for relief under the existing policy must meet all of the following criteria and any award will be based on these factors:
 - (a) The ratepayer must not be entitled to mandatory rate relief (Charity or Rural Rate Relief)
 - (b) The ratepayer must not be an organisation that could receive relief as a non-profit making organisation or as Community Amateur Sports Club.
 - (c) The ratepayer must occupy the premises – no relief will be granted for unoccupied properties
 - (d) The premises and the organisation must be of significant benefit to the residents of the City
 - (e) The ratepayer must:
 - (i) Provide facilities to certain priority groups such as elderly, disabled, minority or disadvantaged groups, OR
 - (ii) Provide significant employment or employment opportunities to residents of the City
 - (f) Provide residents of the City with such services, opportunities or facilities that cannot be obtained locally or are not provided by another organisation
 - (g) The ratepayer must show that the organisation will comply with all legislative requirements and operate in an ethical, sustainable and environmentally friendly manner at all times
- 2.2 Where a ratepayer can demonstrate that all of the above criteria are met, any award must have due regard to:
 - (a) the financial status of the applicant when determining the level of relief to be granted, and
 - (b) the impact and best interests of the Council Tax payers of the City

- 2.3 Relief will not be given to those organisations where a bar is the main activity. It would be expected that any bar profits would be used to offset any expenses thus negating the reliance on public funds.
- 2.4 Where a ratepayer is suffering hardship or severe difficulties in paying their rates liability then an application may be made for relief under Section 49 of the Local Government Finance Act 1988. There will be no requirement to grant relief in such cases under the Council's discretionary rate relief policy.
3. Level and Period of Relief granted
- 3.1 The level of relief to be granted, if any, will range from 0% to 100% of the ratepayer's liability. Given the continuing reduction in government grant funding to the Council, awards of discretionary rate relief will be made for a fixed period and reviewed on an annual basis.
4. Equality and Diversity Implications
- 4.1 It is important that the Discretionary Rate Relief Policy clearly shows the criteria on which premises could be eligible so that all potential applicants are aware of why their application has been either accepted or refused.
5. Right of Appeal
- 5.1 There is no statutory right of appeal against a decision made by the Council in respect of discretionary rate relief. However, the Director of Finance will review the decision if the ratepayer is dissatisfied with the outcome.
- 5.2 If an unsuccessful applicant requests a review, they will still need to continue to pay their rates bill. Once the review has been carried out, the ratepayer will be informed, in writing, of the decision.
- 5.3 The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review.

Section in blue font below is an addition to the existing discretionary rate relief policy - Appendix A

6. RETAIL DISCOUNT - 2019/20 and 2020/21 ONLY
- 6.1 There is no relief available under this policy for properties with a rateable value of more than £51,000.
- 6.2 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis using the following formula:
- $$\text{Amount of relief to be granted} = \frac{V}{3}$$
- Where:
- V** is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants
- 6.3 This should be calculated by ignoring any prior year adjustments in liabilities which fall to be liable on the day.

6.4 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de-minimis limits.

7. Which types of use are eligible?

7.1 To qualify for the relief, the hereditament should be wholly or mainly used as a shop, restaurant, café or drinking establishment. This is a test of use not occupation. Hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

7.2 The lists below are not exhaustive. Uses that are broadly similar to those listed below will be considered eligible for the relief.

- a) Hereditaments that are being used for the sale of goods to visiting members of the public:
 - Shops (such as florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licence, chemists, newsagents, hardware stores, supermarkets, etc)
 - Charity shops
 - Opticians
 - Post Offices
 - Furnishing shops/display rooms e.g. carpet shops, double glazing, garage door showrooms
 - Car/caravan showrooms
 - Second-hand car lots
 - Markets
 - Petrol stations
 - Garden centres
 - Art galleries (where art is for sale/hire)
- b) Hereditaments that are being used for the provision of the following services to visiting members of the public:
 - Hair and beauty services (such as hairdressers, nail bars, beauty salons, tanning shops, tattoo parlours etc)
 - Shoe repairs/key cutting
 - Travel agents
 - Ticket offices e.g. for theatre
 - Dry cleaners/laundrettes
 - PC/TV/domestic appliance repair
 - Funeral directors
 - Photo processing
 - DVD/video rentals
 - Tool hire
 - Car hire
- c) Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:
 - Restaurants
 - Takeaways
 - Sandwich shops
 - Coffee shops
 - Pubs
 - Bars

8. Which types of use are not eligible?

8.1 As before, the lists below are not exhaustive but uses broadly similar to those set out below will not be considered eligible for the relief.

- a) Hereditaments that are being used for the provision of the following services to visiting members of the public:
 - Financial services (such as banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers etc)
 - Other services (such as estate agents, letting agents, employment agencies etc)
 - Medical services (such as vets, doctors, dentists, osteopaths, chiropractors etc)
 - Professional services (such as solicitors, accountants, insurance agents, financial advisors, tutors etc)
 - Post office sorting offices
- b) Hereditaments that are not reasonably accessible to visiting members of the public

8.2 Generally, any assembly or other uses beyond those in para 7.2 are not considered to be retail uses for the purpose of this discount. For example, cinemas, theatres and museums are outside the scope, as are nightclubs and music venues that are not similar to uses in 3.2(c). Hereditaments used for sport or physical recreation are also outside the scope.

8.3 The relief should be applied on a day to day basis using the formula set out in 6.2. A new hereditament created as a result of a split or merger during the relevant financial years, or where there is a change of use, should be considered afresh for relief on that day.

9 SUPPORTING SMALL BUSINESS SCHEME

9.1. The transitional scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be facing very large percentage increases in bills from 01 April 2017.

9.2. The Supporting Small Businesses relief scheme will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.

There is no discretion around whether to grant this relief if the terms of the scheme are met.

The Supporting Small Businesses relief scheme will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- a. a percentage increase p.a. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation, or
- b. a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.

- 9.3 In the first year of the scheme (2017/18), this means all ratepayers losing some or all of their small business rate relief or rural rate relief will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who are currently paying nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5.
- 9.4 Those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme.
- 9.5 Ratepayers remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme. A change of ratepayers will not affect eligibility for the Supporting Small Businesses relief scheme but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.
- 9.6 There is no 2nd property test for eligibility for Supporting Small Business relief scheme. However, those ratepayers who during 2016/17 lost entitlement to small business rate relief because they failed the 2nd property test but have, under the rules for small business rate relief, been given a 12 month period of grace before their relief ended can continue on the scheme for the remainder of their 12 month period of grace.
- 9.7 As with all reliefs, the amount of relief awarded under the Supporting Small Business relief scheme should be recalculated in the event of a change to the rateable value or the hereditament. This change of circumstance could arise during the year in question or during a later year.
- 9.8 The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) require authorities to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, local authorities may still make decisions which allow the amount of relief to be amended within the year to reflect changing circumstances.
- 9.9 Therefore, when making an award for Supporting Small Business relief, the conditions of the award that the relief is allowed include that it can be recalculated in the event of a change to the rating list (retrospective or otherwise). This is so that the relief can be recalculated if the rateable value changes. This applies to all Discretionary Relief awarded by Chelmsford City Council.

10 Detailed guidance for operation of the Supporting Small Business (SSB) scheme

10.1 Day 1 Eligibility for the Scheme

For 1 April 2017, the supporting small business (SSB) relief scheme applies to hereditaments for which ratepayers lose some or all of their small business rate relief or rural rate relief.

- a. The chargeable amount for 31 March 2017 is calculated in accordance with section 43(4B) or (6B),
- b. In relation to 43(4) the value of E for 31 March 2017 is greater than 1,
- c. The chargeable amount for 01 April 2017 is found in accordance with section 43(4), 43(4B), 43(6A), or where regulations 12(3), 12(7) or 12(9) of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No.1265 applies, and
- d. The chargeable amount 1 April 2017 is more than (£600/365) higher than the chargeable amount for 31 March 2017.

Where for 31 March 2017 the chargeable amount has been found under section 47, then eligibility for SSB should be determined as if section 47 did not apply.

10.2 Continued eligibility for the scheme after 1 April 2017

After 1 April 2017, the Supporting Small Business (SSB) scheme will cease to apply where:

- a. The chargeable amount for a day found under the SSB scheme is the same as or more than the chargeable amount found in the absence of the SSB scheme. This ensures that where, for example, the minimum increase in the chargeable amount in the SSB scheme would take the bill above the level it would otherwise have been then the hereditament will drop out of the SSB scheme. It also ensures that where, for example, with effect from after 1/4/17, the hereditament becomes eligible for 100% Small Business Rate Relief then they also fall out of the SSB scheme,
- b. The chargeable amount for a day would otherwise fall to be found by section 43(5) or where paragraph 12(5) or sub-paragraphs 2(4), 3(4), 4(4), 5(4) of Schedule 2 of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No.1265 applies (charities or registered community amateur sports clubs), or
- c. The hereditaments for a day is unoccupied.

10.3 Furthermore, where the ratepayer during 2016/17 lost entitlement to small business rate relief because they failed the 2nd property test but have, under the rules for small business rate relief, been given a 12 month period of grace before their relief ended (and therefore was still entitled to small business rate relief on 31 March 2017), then eligibility for the SSB scheme will cease at the end of that 12 months period of grace.

10.4 Hereditaments which cease to be entitled to Supporting Small Businesses for a day cannot return to eligibility if their circumstances change from a later day. For example, if a property falls unoccupied it will not then be eligible for Supporting Small Businesses relief if it subsequently becomes occupied again.

10.5 Chargeable Amount under the Supporting Small Businesses Scheme

Where the Supporting Small Businesses scheme applies then DCLG will fund local authorities to apply a chargeable amount under section 47 of the 1988 Act for the period 1 April 2017 to 31 March 2022 found in accordance with the rules in (Part 1 to Part 3 of) the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No.1265 subject to the following changes:

- a. BL for 2017/18 is the chargeable amount for 31 March 2017 x 365 (on the assumption that section 47 did not apply for 31 March 2017 and on the assumption in the City of London that the special authority's small business non-domestic rating multiplier was 48.4p for 2016/17). This ensures the starting base liability for hereditaments eligible for SSB include the SBRR or rural rate relief for 31 March.
 - b. Where the certificate has been issued under regulations 17 or 18 then BL 2017/18 should be found in line with a) above but on the assumption that the rateable value in the rating list was the rateable values as certified.
 - c. References to "(BL x AF)" are to "(BL x AF)" or (BL + 600) whichever is the greater". This ensures the bill increase is greater or £600 or the increase under the caps in transitional relief scheme,
 - d. AF is found in accordance with regulation 10(6) irrespective of the rateable value of the hereditament for 1 April 2017. This ensures only the cap on increases for small properties is applied in the SSB scheme irrespective of the actual rateable value of the hereditament,
 - e. Regulation 12(6)(b) is omitted. This ensures SBRR is not also applied to the capped bill in the SSB scheme. This avoids double counting of relief,
 - f. The reference to "2" in regulation 12 (8) is "1". This ensures rural rate relief is not also applied to the capped bill in the SSB scheme. This avoids double counting of relief,
 - g. "U" is taken to have a value of 0 throughout. This ensures that any hereditament whose rateable value is £51,000 or more does not have to pay the 1.3p supplement whilst eligible for SSB relief,
 - h. For a year (the year concerned) other than 2017/18, BL is (BL x AF) or (BL + 600) from the year immediately the year concerned whichever is the greater.
- 10.6 No change is made to the meaning of NCA. However, as discussed above, eligibility for Supporting Small Business relief ceases when the chargeable amount for a day found under the Supporting Small Businesses scheme is the same as or more than the chargeable amount found outside the scheme.
- 10.7 For the avoidance of doubt, the rules for changes in rateable value with effect from after 1 April 2017 (regulation 13) will continue to apply as normal subject to the amendments above in sections a to h.
- 10.8 Splits and Mergers

The SSB scheme will apply to hereditaments;

- a. Coming into existence because of the circumstances described in paragraph 1 of Schedule 2 of Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265,
- b. Where one of the hereditaments from which the new hereditament was formed in whole or in part was for the day immediately before the creation day eligible for the SSB scheme, and

- c. The circumstances described above in points a to h above do not apply for the creation day in respect of the hereditament.
- 10.9 After the creation day, the SSB scheme will cease to apply in the circumstances described in points a to h above.
- 10.10 The number of hereditaments eligible for SSB which then split or merge is likely to be very small and devising rules in particular for mergers with properties outside of the SSB scheme would be complex. Therefore, in discussions with local authority stakeholders, DCLG has concluded it would be disproportionate to devise detailed rules to prescribe the chargeable amounts in the various circumstances which could arise from a split or a merger.
- Instead, for hereditaments meeting the criteria in paragraph 39 and 40 above, DCLG will fund local authorities to apply a chargeable amount under section 47 of the 1988 Act found in accordance with the following principle:
- a. That the protection offered by the SSB scheme (that the bill will not rise by the greater of £600 p.a. or the transitional relief caps) will continue to apply in principle to that part of the newly created hereditament which was immediately before the creation day in the SSB scheme, and
 - b. That increases (or reductions) in overall rateable value arising from the split or merger are not subject to the protection of the SSB scheme.

For simple splits of hereditaments previously eligible for SSB, authorities may wish to simply apportion the chargeable amount in the SSB scheme for the hereditament before the split in line with the change in rateable value from the split) i.e. in line with the principle in Schedule 2 of Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265).

For mergers and reorganisations, authorities will have to estimate the degree to which, in line with the principle of the SSB scheme, that part of the hereditament which was formerly eligible for SSB should continue to receive support under the SSB scheme. DCLG does not expect authorities to seek any formal apportionments of rateable value for this purpose.

11 LOCAL DISCRETIONARY BUSINESS RATE RELIEF SCHEME

- 11.1 Chelmsford is looking to invite ratepayers, most adversely affected by the rating changes on 01 April 2017 or those suffering hardship following the revaluation to apply for support to reduce their rate burden. The award of relief will be discretionary and will be allowed where there has been an increase in rates since the revaluation, which is considered to have caused substantial trading difficulties for the business concerned.
- 11.2 The Local Discretionary Rate Relief Scheme applies for the years 01 April 2017 to 31 March 2021 only. Awards will run for one financial year only. Under the scheme relief will only be provided where the ratepayer's bill has increased due to the 2017 revaluation.
- 11.3 The assistance the Council is able to offer under the scheme will be limited to the funding provided which for the 2017/18 rating year is £272,000; for 2018/19 - £132,000; for 2019/20 - £54,000; and, for 2020/21 - £8,000.

- 11.4 Where a qualifying ratepayer's 2017/18 and, or 2016/17 rates bill is reduced for any of the following reasons, the amount of their relief will be reduced or removed accordingly:
- A reduction in rateable value in the 2010 and, or 2017 rating lists
 - The provision of a certified value for the 2010 rating list or historical change
 - The application of any additional rate relief or exemption
 - Vacation and re-occupation of the property
 - Any other reason
- 11.5 Ratepayers who may benefit from the Scheme will be in occupation of a property with a rateable value of up to £150,000 and will not fall into one of the categories listed below:
- Financial Services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, amusement arcades, pawn brokers)
 - Other Services (e.g. estate agents, letting agents)
 - Professional Services (e.g. solicitors, accountants, insurance agents/ financial advisers)
 - Post office sorting office
- 11.6 Further Exclusions - For properties where any of the following apply, the ratepayer will not be eligible for local discretionary business rate relief:
- Properties that are operated by the same organisation/ business, where the business forms part of a chain of three or more units within the UK or in the UK and Overseas.
 - Ratepayers in receipt of small business rate relief support which limits increases on small properties caused by the loss of small business rates relief to £600.
 - Ratepayers occupying properties after 01 April 2017 unless they occupied those properties for a period of one month or more during during 2016/17.
 - Properties which were not on the rating list at 01 April 2017. (Relief will not apply where properties are entered into the list retrospectively).
 - Properties which are unoccupied.
 - Large organisations such as Housing Associations, NHS.
 - Where the award of relief would not comply with E U law on State Aid.
- 11.7 How Local Discretionary Business Rate Relief is Calculated:
- Local discretionary business rate relief is calculated after any or all of the following have been applied:

- Exemptions and other reliefs
- Transitional Relief or Premium

The amount of relief awarded will be based on need and an application being made by the ratepayer.

11.8 The ratepayer will need to satisfy the following conditions:

- the ratepayer is able to satisfy the billing authority that they are not able to meet their full rating liability or part of their liability.
- the ratepayer is able to demonstrate that all reasonable steps have been taken to meet their full business rate liability including applications for alternative reliefs and grants that may be available to them.
- enforced payment of their full rating liability would result in hardship as defined by insufficient cash flow being available to realistically allow the business to continue trading if support was not provided.
- Local Discretionary Business Rate relief will be granted only on the basis that money is available from the section 31 Grant made by the Government.

11.9 All determinations of Local Discretionary Business Rates Relief will be made by the Director of Finance through a scheme of delegation to officers. Copies of all applications and decisions made will be filed electronically.

11.10 Relief granted will be added to ratepayer's accounts and a revised demand notice and where appropriate a revised instalment plan issued to the ratepayer. The proposed scheme is designed to provide relief mainly to local businesses rather than chains. The scheme will not provide any help where a business has a property with a rateable value of more than £150,000.

Section in blue font below is an amendment to the existing discretionary rate relief policy - Appendix A

12 STATE AID

- 12.1 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However, relief is State Aid compliant where it is provided in accordance with the De Minimis Regulations (SI 1407/2013)
- 12.2 The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).
- 12.3 To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. Enquiries may be made and declarations required from businesses to confirm whether the de minimis level has been reached.

- 12.4 The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure the regime operates effectively in a domestic context.

13 ADMINISTRATION OF APPLICATIONS FOR RELIEF

- 13.1 Decisions relating to the granting of reliefs will be delegated to the staff reporting to the Director of Finance. Most reliefs will be granted automatically using records already held by the Council. Applications from business rate payers who think they should be eligible must be made in writing to Chelmsford City Council, Business Rates, Civic Centre, Duke Street, Chelmsford CM1 1JE.
- 13.2 There is no statutory right of appeal against a decision made by the Council in respect of retail rate or business rate reoccupation relief. However, the Council will review the decision if the ratepayer is dissatisfied with the outcome. The review will be carried out by the Director of Finance and the final decision made by the Director of Finance and/or the Cabinet Member for Finance.
- 13.3 If an unsuccessful applicant requests a review, they will still need to continue to pay their rates bill. Once the review has been carried out, the ratepayer will be informed, in writing, of the decision.
- 13.4 The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review.

CABINET
29 January 2019

AGENDA ITEM 6.3

Subject	COUNCIL TAX - CHANGES TO CHARGES AND DISCOUNTS FOR EMPTY PROPERTIES
Report by	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.

Corporate Implications	
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:	

Consultees	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.



CABINET
29TH January 2019

AGENDA ITEM 6.4

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

Enquiries contact:

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Purpose

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

Specified Investments -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.				
Counterparties	Minimum Credit Criteria	Max. Limit £m	Max. maturity period	Change from Prev. approach
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

Non-specified Investments These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk				
Counterparties	Min. Credit Criteria	Max. Limit £m	Max. maturity period	Change from existing approach
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 30th 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.

	November 2018 Actual £m	31 March 2019 Projected £m	31 March 2020 Projected £m
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:

Specified Investments -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.				
Specified Counterparties	Minimum Credit Criteria	Max. Limit £m	Max. maturity period	Change from Prev. approach
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

Non-specified Investments These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk				
Counterparties	Min. Credit Criteria	Max. Limit £m	Max. maturity period	Change from existing approach
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 Management sub-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 2017/18 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.

APPENDIX 2

Treasury Management Performance Indicators



Period Ending: 30/11/2018

Security

	Month ending 30/11/2018	Projection year ending 31/03/2019	Target for year 31/03/2019	Target for year 31/03/2020	Target for year 31/03/2021	Target for year 31/03/2022
Only to invest with approved counterparties	No breach	No breach	No breach	No breach	No breach	No breach
Only to invest up to approved limits	No breach	No breach	No breach	No breach	No breach	No breach
Bail in exposure to not exceed 33% of portfolio	27.00%	27.00%	33.00%	33.00%	33.00%	33.00%

Liquidity

	Month ending 30/11/2018	Projection year ending 31/03/2019	Target for year 31/03/2019	Target for year 31/03/2020	Target for year 31/03/2021	Target for year 31/03/2022
At least £10m maturing in 100 days or less	£ 59,274,000	£ 19,000,000	£ 10,000,000	£ 10,000,000	£ 10,000,000	£ 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	£ 18,000,000	£ 18,000,000	£ 18,000,000
	£ 81,274,000	£ 32,000,000				

	Actual Borrowing Month ending 30/11/2018	Borrowing projection year ending 31/03/2019	Limit for year 31/03/2019	Limit for year 31/03/2020	Limit for year 31/03/2021	Limit for year 31/03/2022
Authorised Limit of External Borrowing	£ Nil	£ Nil	£ 8,000,000	£ 10,000,000	£ 10,000,000	£ 10,000,000
Operational Boundary of External Borrowing (excluding finance leases)	£ Nil	£ Nil	£ Nil	£ Nil	£ Nil	£ Nil

Yield

	Month ending 30/11/2018	Projection year ending 31/03/2019	Projected benchmarks 31/03/2020	Projected benchmarks 31/03/2021	Projected benchmarks 31/03/2022
Average yield on liquid portfolio	0.78%	0.78%			
3 month Libid benchmark	0.77%	0.77%	1.02%	1.27%	1.27%
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%	1.27%	1.52%	1.52%

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.

CABINET
29th January 2019

AGENDA ITEM 6.5

Subject	REVENUE ESTIMATES 2019/20
Report by	Cabinet Member for Finance

Enquiries contact: Phil Reeves 01245 606562
e-mail: phil.reeves@chelmsford.gov.uk

Purpose

The primary purpose is to make recommendations to Council for an Original 2019/20 budget and set the level of 2019/20 Council Tax for the City.

Options

To agree or vary the proposals contained within this report.

Recommendation(s)

- 1 that Cabinet recommends to Council:
 - i. an original budget for 2019/20 and level of reserves, as shown in **Appendix 1, 2 & 3**
 - ii. an increase to the average level of Council Tax for the City Council increasing the average annual Band D Council Tax to £194.02
 - iii. the fees & charges changes outside the budget guidelines as set out in **Appendix 4**
 - iv. Special expenses are agreed as set out in **Appendix 5**
 - v. that Directors after consultation with Cabinet Members identify budget reduction proposals for 2020/21 and future years which could be included in the July 2019 Medium Term Financial Strategy report
 - vi. 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.
- 2 that using this report the Director of Finance prepares a budget report and legal resolution for submission to Council for consideration, including updating Business Rate Retention Income following completion of NDR1 statutory return to Government
- 3 should the final Government grant settlement details change following the Cabinet meeting then the Director of Finance is authorised, after consultation with the Cabinet Member for Finance, to use Reserves to maintain the Council Tax recommendation in this report

Corporate Implications

Legal:	By virtue of Section 151 of the Local Government Act 1972 the Council is required to make arrangements for the proper administration of its financial affairs. The budget planning represented in this report is consistent with this legal duty. The adoption of the final budget is reserved to the Council under Article 4 of the Constitution.
Financial:	As detailed in the report
Personnel:	None
Risk Management:	None
Equalities and Diversity:	None
Health and Safety:	None
IT:	None
Other:	

Consultees

All services within the Council & Business Rate payers

Policies and Strategies

The report takes into account all policies and strategies of the Council

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. Background

- 1.1 Each year Cabinet is required to make a proposal to Council to agree an Original budget for the next financial year. This report contains such proposals for a budget for 2019/20. Full details of the budget are in **Annex 1**.

2. Executive Summary

- 2.1 The report has been produced based on the Government's provisional funding settlement which forms part of a four-year agreement. If, however the final funding allocation differs to that contained in this report, then the Director of Finance will provide revised information to Cabinet at the meeting. If minor revisions to grant occur after the Cabinet meeting then it is proposed that the Director of Finance, after consultation with the Cabinet Member for Finance, should be given delegated authority to amend the proposal on the use of reserves in the report to Council.
- 2.2 The Council reviewed the 2018/19 Budget in December, and therefore this report focuses on the planned 2019/20 budget.

2.3 Government Funding, New Homes Bonus and Business Rate Retention Scheme

Below is a summary of the main changes in Government support to the Council, further details can be found in **Annex 1**.

Revenue Support Grant (RSG) and Retained Business Rates

The Government asked authorities in January 2016 if they wished to enter a 4-year settlement agreement, which subject to caveats would provide a known level of minimum funding for the period. This Council, along with 97% of all Councils, accepted the Government's offer and a summary of that settlement (plus amendments) is set out below:

1. The Government intended in 2019/20 to reduce resources for authorities via an additional tariff on Councils business rates, effectively resulting in negative Revenue Support Grant (RSG) for some Councils. This would have resulted in a further loss of annual Council income of £0.98m in 2019/20 compared to 2018/19. The Government has reversed the impact of this by providing additional funding for those authorities affected by negative RSG and so the City Council's funding has not been materially altered for 2019/20 compared to 2018/19.
2. The Council receives a baseline funding amount of £3.3m of Business Rate Income in 2019/20 before any growth, this forms part of the Government funding settlement on Chelmsford.
3. The Business Rate Retention scheme allows Council to keep some gains from increased Business Rates generated in the local area. The budget in this report includes some £3.444m of Business Rate Retention Income above the £3.3m baseline, this has been calculated inline with statutory requirements. However, of this additional income some £2.827m of gains are not considered to be sufficiently likely to support revenue expenditure and so are transferred into the Business Rate Retention scheme reserve in the short term until such time that they become realisable. The balance, some £0.617m, is considered sufficiently certain to include in the budgets and it is proposed to: use £0.176m to support revenue expenditure in 2019/20, some £0.23m added to the Insurance Reserve and £0.211m added to the Chelmsford Development Reserve.
4. The Council is required by statute to finalise its business rate retention income estimate in late January after Cabinet, so the Director of Finance will provide Council with any updated estimates in the Council budget report.
5. Government funding to the City from 2020/21 onwards is unlikely to improve as the Government's 4-year funding settlement to Local Government ends in 2019/20 and there will be many competing pressures for funding e.g. health. An extra complication is the Government will be resetting the Business Rate Retention scheme and some or all the current gains could be removed. Caution has therefore been exercised in the budget against over reliance on funding ongoing Council expenditure from Government resources.

New Homes Bonus (NHB)

- The Government consulted on changes to the scheme but at this time has not decided to amend the scheme.
- The Council's budget only reflects allocations that have been awarded.
- The Council will receive £3.8m of NHB 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's budget to provide funding to support major capital schemes and the 2019/20 budget is not reliant on NHB to fund ongoing revenue expenditure.

2.4 Financial Challenges

The report identifies an estimated budget shortfall for 2020/21 of £0.477m and a further £1.76m by 2023/24, however these estimates will change over time as events and income become more certain. Details can be found in **Appendix 1**.

2.5 Risks and a Robust Budget

An analysis of the major risks and historical experience in 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.

2.6 Investing for our Residents’ Future

The revenue and capital budgets proposed support the Council’s Corporate Plan and allow the Council to continue to invest in the future for its residents. The plan describes the key areas of focus for investment and allocation of resources over the next few years as well as how the Council will work both internally and with partners, to deliver those ambitions. These include:

- Promoting growth through the adoption of a new Local Plan, delivering key infrastructure projects and promoting Chelmsford as a place for investment
- Making Chelmsford an even more attractive place through the continuation of the City Centre public realm enhancement programme and implementing key elements of the Green Infrastructure Strategic Plan
- Promoting healthy, active lifestyles by upgrading sports, leisure and heritage facilities and encouraging and promoting a wide range of cultural events
- Working with a range of partners to secure investment in the City, deliver key infrastructure projects and build community capacity
- Investing in the Council’s workforce, creating a more flexible working environment and improving recruitment and retention.

The plan needs to be delivered within the context of uncertain future funding from central government, as the end of the current multi-year settlement is reached. These challenges include a new Government Spending Review and future changes to both the mechanism for redistributing resources between Local Authorities (Fairer Funding Review) and further changes to the Business Rates Retention Scheme.

In order to deliver its plan, within a balanced budget, the Council will continue to:

- Review its asset utilisation strategy in order to optimise income, support service delivery, or divest itself of assets to generate capital receipts for reinvestment, as appropriate
- Seek alternative sources of funding and maximise opportunities for successful funding bids
- Ensure that the appropriate balance is struck between the need to deliver essential public services and seeking income from a commercial approach.
- Acquire and/or develop 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
- Take a prudent approach to reserves in order to support a sustainable financial position, having due regard to material risks

2.7 Council Tax proposal

The Government rules do allow Chelmsford to raise Council tax up to £5.66 without triggering a local referendum. However, 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 provided to its residents.

The report also identifies parish/town grants, precepts for other bodies and special expenses and their effect on the overall Council Tax levels in **Appendix 5** of **Annex 1**.

List of Appendices (contained in Annex 1)

- 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

Background Paper

Nil

ANNEX 1

Council 2019/20 Original Budget

1. Background

- 1.1 Cabinet is required to make a proposal to Council on an Original budget for 2019/20. This report contains the details of those proposals.
- 1.2 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.
- 1.3 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
- 1.4 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 paragraphs 2 to 4.
- 1.5 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 shortfall is discussed in paragraphs 5 to 7. The Council tax proposal is discussed in paragraph 7.

2. **Government Funding (provisional)**

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 provisional settlement for 2019/20, which will not be finalised until February 2019. 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
TOTAL	£3.355m	£2.47m	£3.51m

1. 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 grant reduction for 2019/20 would have been £0.98m, which after lobbying the Government has for now reversed.
2. 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 a Baseline Funding of £3.35m in 2019/20 of the Business Rate it collects.
3. 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.
4. 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).

2.1 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:

- Probable Funding: officers believe is sufficiently certain to fund expenditure or show as transfer into useable reserves.
 - 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 Retention income is expected in 2019/20 much of this cannot be considered on as ongoing beyond 2019/20. The budget in this report includes some £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 £2.827m of gains are not considered to be sufficiently likely to support revenue expenditure and so are transferred into the Business Rate Retention scheme reserve in the short term until they can be confirmed in 2019/20. The balance some £0.617m is sufficiently likely to be included in estimates so: £0.176m will be used to support revenue expenditure in 2019/20, some £0.23m added to the Insurance Reserve and £0.211m added to the Chelmsford Development Reserve.
 - v. The Council is required to finalise its business rate retention income estimate in late January, after Cabinet and therefore the Director of Finance will provide Council with any appropriate amendments which result.

2.2 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.

2.3 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 21st 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 (£3.444m) 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 change 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.

3 2019/20 Budget Changes

3.1 **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 31st 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.

3.2 **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.

3.3 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 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 the 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.

3.4 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 identify 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 the banks 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.

3.5 2019/20 Service Improvements

Housing Service Improvement Plan & Homelessness Costs

As referred to paragraph 3.3, 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 5.3. During 2019 the programme for the years after 2019/20 will 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.

3.6 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**.

4 The impact of Capital Expenditure on the Revenue Budget

4.1 The Council in 2019/20 is required by statute to produce a Capital 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.

4.2 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.

4.3 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 LEP, S106 and CIL.
- 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).

4.4 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**.

- 4.5 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.
- 4.6 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 a premise 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 Strategy report elsewhere on the agenda.

5. Budget Forecast, Risks, Robust Budget and Reserve Balances

- 5.1 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 31st March 2020.

- 5.2 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
Total In year	477	950	405	405
Cumulative		1,427	1,832	2,237

5.3 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
- £2.8m to Business Rate Retention Reserve (uncertain Business Rate Retention Income)

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.

6. Council Tax Referendums

- 6.1 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.

7. Council Tax, Parish Grant & Special Expenses Proposal 2019/20

- 7.1 The Council levies Council Tax by identifying a Precept (net Council expenditure after government grants); a charge is then calculated for each residential property. The average of these charges is expressed as a “Band D Average”. The average is estimated by dividing the precept by the tax base (the number of Band D equivalent properties in the City Council area). The tax base for 2019/20 is 66,672.27.

- 7.2 Special Expenses and Parish/Town precepts are in **Appendix 5**.
- 7.3 A Council Tax resolution will be drafted for Council upon approval of the precepts, the expected dates when the precepts become known are Essex County Council on the 12th February, Essex Police 24th January and 24th January Essex Fire Authority.
- 7.4 If any precepts are not available by the 27th February Council meeting, an additional Council meeting will be convened to approve Council Tax billing levels.
- 7.5 The Director of Finance will prepare a formal Council Tax and Budget resolution for February Council based on the Cabinet recommendations in this report. The budget resolution is a technical document which reflects the information contained in the Revenue Budget reports. The resolution can only be completed on receipt of all the Parish information and after the Council has declared its Collection Fund Surplus or Deficit.
- 7.6 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 31st January 2019 a Business Rate Retention Surplus or Deficit, after submitting a return (NDR1) to Government. The Business Rate Retention figures contained in this report are therefore provisional and will be updated so that the Council Tax Resolution produced for Council will include a summary of the final surplus or deficit.

APPENDIX 1

<u>Variances 2019/20 compared to Original 2018/19 Budget & Financial Forecast</u>	Forecast Variances (year on Year)					
	MTFS 2019/20 £000's	Original 2019/20 (variance from 2018/19) £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
Year on Year Ongoing Changes in Budget +cost/-gains						
Ongoing Net Changes in Reserves						
Asset Replacement Reserve Contributions			150	150	150	150
Cease transfer from contingency (interest rates increase)			175			
Changes from Central Government and Local Taxes						
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				
Cost Inflation & Pay						
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
Income						
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					
Savings, Efficiencies and Adverse variances						
Review of Hylands Stables Visitor Centre		-35				
Staffing changes	-88	17				
Card charges - renegotiation		-50				
Discretionary Housing Payments		-198				
Housing Benefits		195				
Service Improvements						
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
Budget +Shortfall/-surplus	1,348	0	477	950	405	405
Cumulative			477	1,427	1,832	2,237

APPENDIX 2

Service Budgets 2019/20

	2018/19 Original Budget £'000	Variations £'000	2019/20 Original Budget £'000
Chief Executive	272	33	305
Corporate Management & DRM	-460	470	10
Corporate Services		0	
Corporate Services	6,876	334	7,210
Theatres & Special Events	192	181	373
Museums & Cultural Partnership	637	66	703
Financial Services		0	
Financial Services(HB, Revenues,Property and Financial Support Services)	-1,201	-621	-1,822
Strategic Housing	1,177	334	1,511
Sustainable Communities		0	
Planning & Building Control Services	1,496	76	1,572
Parking Services	-4,939	-27	-4,966
Public Places		0	
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
Controllable Service Expenditure	14,587	449	15,036
Other General Fund Items			
-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	-2,274	-3,443
- Use of Carry Forward Reserves	-114	-50	-164
Earmarked Reserves		0	
- Business Rates Retention Scheme Reserve	843	1,984	2,827
- Contributions to / -use of Other Earmarked reserves	-9,648	10,523	875
Net Expenditure	15,792	1,118	16,910
Contribution to / -from Balances	76	-591	-515
Budget Requirement	15,868	527	16,395
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	12,384	552	12,936

	2018/19 Original Budget £'000	Variations £'000	2019/20 Original Budget £'000
Business Rates Retention Memorandum			
Business Rates Retention Scheme Income	1,169	2,274	3,443
<u>Use of Business Rate Retention Income</u>			
Contingency Reserve	326	-326	0
Chelmsford Development Reserve		210	210
Insurance Reserve		230	230
Business Rates Retention Reserve	843	1,984	2,827
Support Expenditure	0	176	176
	1,169	2,274	3,443

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

<u>Corporate Management & Democratic Representation & Management</u>	2018/19 Original Budget £'000	Variation from Original budget to 19/20 Orig £'000	2019/20 Original Budget £'000
Controllable items			
<u>Employees</u>			
<u>Salaries & Wages</u>			
Central Provision for Pay	-	260	260
Salary & Wages Total	-	260	260
Employees Total	-	260	260
<u>Other Expenditure</u>			
Corporate Management & DRM	-	-	
Other Expenditure Total	-	-	-
Total Expenditure	-	260	260
<u>Income</u>			
Council Tax Discount Sharing	-460	210	-250
Income Total	-460	210	-250
<u>Total Expenditure Summary</u>			
Corporate Management & DRM	-	260	260
Total Expenditure	-	260	260
Net Direct Expenditure	-460	470	10
<u>Net Summary</u>			
Corporate Management & DRM			
Income	-460	210	-250
Expenditure	-	260	260
Net	-460	470	10
Net Direct Expenditure	-460	470	10

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

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

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

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

<u>FINANCIAL SERVICES</u>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig £'000	2019/20 Original Budget
	£'000	£'000	£'000
Controllable items			
<u>Employees</u>			
<u>Salaries & Wages</u>			
Revenues & Benefits	1,765	44	1,809
Financial Support Services	1,357	104	1,461
Property Services	301	-26	275
Finance CM & DRM	-	-	-
Salary & Wages Total	3,423	122	3,545
<u>Agency</u>			
Revenues & Benefits	28	5	33
Financial Support Services	16	-16	-
Property Services	-	-	-
Agency Total	44	-11	33
Employees Total	3,467	111	3,578
<u>Other Expenditure</u>			
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
Other Expenditure Total	1,692	-244	1,448
Total Expenditure	5,159	-133	5,026
<u>Income</u>			
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
Income Total	-6,360	-488	-6,848
<u>Total Expenditure Summary</u>			
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
Total Expenditure	5,159	-133	5,026
Net Direct Expenditure	-1,201	-621	-1,822

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

<u>STRATEGIC HOUSING</u>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
Controllable items			
<u>Employees</u>			
<u>Salaries & Wages</u>			
Housing Support	657	210	867
Salary & Wages Total	657	210	867
<u>Agency</u>			
Housing Support	186	-186	-
Agency Total	186	-186	-
Employees Total	843	24	867
<u>Other Expenditure</u>			
Housing Advice			
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
Enabling & Strategy	-	-	
Housing Support	51	126	177
Other Expenditure Total	4,001	-290	3,711
Total Expenditure	4,844	-266	4,578
<u>Income</u>			
Housing Advice			
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
Enabling & Strategy	-	-	
Housing Support	-8	-37	-45
Income Total	-3,667	600	-3,067
<u>Total Expenditure Summary</u>			
Housing Advice	3,950	-416	3,534
Enabling & Strategy	-	-	-
Housing Support	894	150	1,044
Total Expenditure	4,844	-266	4,578
Net Direct Expenditure	1,177	334	1,511

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

PLANNING & BUILDING CONTROL			
SERVICES	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
Controllable items			
Employees			
Salaries & Wages			
Planning	2,451	49	2,500
Building Control	505	20	525
Other (Inward Investment)	242	5	247
Salary & Wages Total	3,198	74	3,272
Agency			
Planning	-	-	-
Building Control	-	-	-
Other (Inward Investment)	-	-	-
Agency Total	-	-	-
Employees Total	3,198	74	3,272
Other Expenditure			
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
Other Expenditure Total	592	12	604
Total Expenditure	3,790	86	3,876
Income			
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
Income Total	-2,294	-10	-2,304
Total Expenditure Summary			
Planning	2,960	62	3,022
Building Control	548	19	567
Other (Chelmsford Growth Fund, IIEG)	282	5	287
Total Expenditure	3,790	86	3,876
Net Direct Expenditure	1,496	76	1,572

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

<u>PARKING SERVICES</u>			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
Controllable items			
<u>Employees</u>			
<u>Salaries & Wages</u>			
Parking Services	795	-55	740
Salary & Wages Total	795	-55	740
<u>Agency</u>			
Parking Services	-	-	-
Agency Total	-	-	-
Employees Total	795	-55	740
<u>Other Expenditure</u>			
<u>Parking Services</u>			
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
Other Expenditure Total	1,577	60	1,637
Total Expenditure	2,372	5	2,377
<u>Income</u>			
<u>Parking Services</u>			
Car Parks Fee Income	-6,528	-32	-6,560
Car Parks Rents & Fines	-380	-	-380
Other	-403	-	-403
Income Total	-7,311	-32	-7,343
<u>Total Expenditure Summary</u>			
Parking Services	2,372	5	2,377
Total Expenditure	2,372	5	2,377
Net Direct Expenditure	-4,939	-27	-4,966
<u>Net Summary</u>			
<u>Parking Services</u>			
Income	-7,311	-32	-7,343
Expenditure	2,372	5	2,377
Net	-4,939	-27	-4,966
Net Direct Expenditure	-4,939	-27	-4,966

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

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

RECYCLING & WASTE SERVICES			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
Controllable items			
Employees			
Salaries & Wages			
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
Salary & Wages Total	6,389	272	6,661
Agency			
Street Care	30	-	30
Market	14	-9	5
Recycling & Waste	313	57	370
Mgmt, Support, Depot & Workshop	14	-14	-
Agency Total	371	34	405
Employees Total	6,760	306	7,066
Other Expenditure			
Street Care			
Vehicle repairs, servicing & maintenance	38	-	38
Vehicle Fuel	100	-	100
Works and External Charges	396	89	485
Market	184	15	199
Recycling & Waste			
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
Mgmt, Support, Depot & Workshop	405	-5	400
Other Expenditure Total	3,921	-20	3,901
Total Expenditure	10,681	286	10,967
Income			
Street Care	-184	-2	-186
Market	-551	-40	-591
Recycling & Waste			
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
Mgmt, Support, Depot & Workshop	-66	-1	-67
Income Total	-5,693	-120	-5,813

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

PUBLIC HEALTH & PROTECTION SERVICES			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig £'000	2019/20 Original Budget
	£'000	£'000	£'000
Controllable items			
Employees			
Salaries & Wages			
Public Health & Protection Services	1,869	13	1,882
Salary & Wages Total	1,869	13	1,882
Agency			
Public Health & Protection Services	-	13	13
Agency Total	-	13	13
Employees Total	1,869	26	1,895
Other Expenditure			
Public Health & Protection Services			
Premises	40	1	41
Supplies & Services	196	-	196
Third Party Payment	218	4	222
Other (including car allowances/ transport costs)	34	-	34
Other Expenditure Total	488	5	493
Total Expenditure	2,357	31	2,388
Income			
Public Health & Protection Services			
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
Income Total	-730	-17	-747
Total Expenditure Summary			
Public Health & Protection Services	2,357	31	2,388
Total Expenditure	2,357	31	2,388
Net Direct Expenditure	1,627	14	1,641
Net Summary			
Public Health & Protection Services			
Income	-730	-17	-747
Expenditure	2,357	31	2,388
Net	1,627	14	1,641
Net Direct Expenditure	1,627	14	1,641

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

LEISURE SERVICES			
	2018/19 Original Budget	Variation from Original budget to 19/20 Orig	2019/20 Original Budget
	£'000	£'000	£'000
Controllable items			
Employees			
Salaries & Wages			
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
Salary & Wages Total	4,122	-93	4,029
Agency			
Support	-	-	-
Riverside	-	-	-
Dovedale	-	-	-
South Woodham Ferrers	-	-	-
CSAC	-	-	-
Cultural Events	-	-	-
Hylands	-	-	-
Community Sport & Wellbeing	-	-	-
Agency Total	-	-	-
Employees Total	4,122	-93	4,029
Other Expenditure			
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
Other Expenditure Total	2,604	-224	2,380
Total Expenditure	6,726	-317	6,409
Income			
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
Income Total	-6,049	-321	-6,370
Total Expenditure Summary			
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
Total Expenditure	6,726	-317	6,409
Net Direct Expenditure	677	-638	39

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

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	
Summary of Earmarked Reserves - To Support Future Revenue Expenditure								
	1st April	6,611	6,157	8,368	5,279	6,503	7,859	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	3,129	1,399	1,399	1,399	1,399	
	31st March	6,157	8,368	5,279	6,503	7,859	4,900	
Summary of Earmarked Revenue Reserves- to Support Capital Expenditure								
	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	
General Fund Balance								
	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	
Total Chelmsford City Council Reserves (available to fund expenditure)								
	1st April	23,117	11,262	11,458	8,369	9,593	10,949	
	Transfers out	-18,685	-8,682	-9,601	-4,056	-3,241	-7,706	
	Transfers In	6,830	8,878	6,512	5,280	4,597	4,747	
	31st March	11,262	11,458	8,369	9,593	10,949	7,990	

		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	
Earmarked Reserves - To Support Future Revenue Expenditure								
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	3,024	3,024	3,024	3,024	<u>Purpose</u>
	Transfers out	-175	-467					To cover temporary income and expenditure fluctuations (including Business Rates)
	Transfers In	327						<u>Delegation</u>
	31st March	3,491	3,024	3,024	3,024	3,024	3,024	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	911	911	911	911	<u>Purpose</u>
	Transfers out	-230	-30					To meet losses and policy excesses where more appropriate to insure internally than externally.
	Transfers In		230					<u>Delegation</u>
	31st March	711	911	911	911	911	911	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	8,368	5,279	6,503	7,859	
	Transfers out	-2,180	-918	-4,488	-175	-43	-4,358	
	Transfers In	1,726	3,129	1,399	1,399	1,399	1,399	
	31st March	6,157	8,368	5,279	6,503	7,859	4,900	

		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	
Earmarked Revenue Reserves- to Support Capital Expenditure								
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	
General Fund Balance								
								<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)
BUSINESS RATE RETENTION SCHEME (these funds are <u>not</u> available for Chelmsford City Council Expenditure)								
	1st April	37	37	2,864	2,864	2,864	2,864	<u>Purpose</u>
	Transfers out							To meet one off costs arising from Business Rate Retention scheme
	Transfers In	0	2,827					<u>Delegation</u>
	31st March	37	2,864	2,864	2,864	2,864	2,864	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 & CH

	01.04.18 to 31.03.19	01.04.19 to 31.03.20
	£	£
Cemetery		
Exclusive Right of burial (ERofB) including the rights to place a memorial		
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
	£	£
Crematorium		
Cremation Fees - including organ (without organist). Including Music System		
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
TOTALS	2,460,747	112	2,460,859						2,539,863	-89	2,539,774					
					
AVERAGE						189.09	37.57	226.66						194.02	38.09	232.11
							

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.

* Awaiting signed Precept form for 2019/20

CABINET
29th January 2019

AGENDA ITEM 6.6

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

Enquiries contact: Phil Reeves, Chief Accountant (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

Consultees	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
TOTAL LIMIT	£0.220m	£0.122m	£0.094m	£1.210m

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
TOTAL	£0.56m	£73.22m	Nil	£82.71m

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:

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

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	£7.565m	£11.541m	£9.016m
Grants and Contributions	£3.814m	£17.672m	£3.580m	£0.678m	£0.000m
Revenue Contributions	£0.434m	£15.006m	£6.169m	£4.974m	£4.042m
Internal Borrowing		£5.736m	£5.703m		
Finance Leases		£0.416m		£0.258m	£1.204m
TOTAL	£17.881m	£55.790m	£23.017m	£17.451m	£14.262m

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
TOTAL	£74m	£32m	£36m	£45m	£46m
Average Balance for Year	£85.9m	£73.3m	£47m	£51m	£52m

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
Total "External Borrowings"	£0.000m	£0.357m	£0.298m	£0.460m	£1.396m
Total Capital Financing Requirement (CFR)	£0.000m	£6.093m	£11.737m	£0.460m	£1.396m
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)

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

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

Estimates	2018/19 estimate	2019/20 estimate	2020/21 estimate	2021/22 estimate
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.

CABINET
29th January 2019

AGENDA ITEM 6.7

Subject:	CAPITAL PROGRAMME UPDATE
Report by:	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"> i) As shown in Appendix 5 and detailed in paragraph 4.3.2, a net £80k budget for the 2018/19 Asset Replacement Programme. ii) A £56k budget for the acquisition of a vehicle in 2019/20, as detailed in paragraph 4.4.2 of the report. 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 Appendix 1 item 17 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. 	
<p>2. That Cabinet also recommends to the Council that:</p> <ul style="list-style-type: none"> i) As shown in Appendix 1 - the remaining new capital schemes are agreed - £4.407m (£4.884m less the £477k requested for approval in section 1 (ii) above) ii) As shown in Appendix 3 - the budgets for existing capital schemes are agreed – an increase of £4.802m iii) As shown in Appendix 5 - the asset replacement programme for 2019/20 is approved - £3.274m (£3.330m less the £56k requested for approval in section 1 (i) above). iv) The appropriate S106 contributions are used to fund the schemes as detailed in this report 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. 	
Corporate Implications	
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

Consultees:	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	
New Schemes (see appendix 2 for details)									
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
Sub Total	338	4,226	278	42	0	0	4,884	106.3	£1.63
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
Total	0	4,064	278	42	0	0	4,384	104.8	£1.61
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 propoal 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
New Schemes (continued)	
<p>4 Hylands' Estate Structural Works to the Pleasure Garden Pond</p>	<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>
<p>5 Retail Market Service Yard LED Lighting</p>	<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"> 1. Bridge at Admirals Park / West Park near to Pitch and Putt 2. Bridge at Central Park crossing to the rear of Essex Cricket Ground 3. Footbridge between Baddow Road Car Park and Essex Record Office known as Bailey Bridge 4. Footbridge at Meadows Surface Car Park crossing to Empire Walk 5. Bridge at Baddow Road Car Park crossing to Meadows Surface Car Park 6. Bridge at West Park crossing to Admirals Park <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
New Schemes (continued)	
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 & 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
New Schemes (continued)	
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
New Schemes (continued)	
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
New Schemes (continued)	
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
New Schemes (continued)	
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 & 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			250	Under Review	£250k approved at Council February 2018 for café fit out			
	20 Riverside Changing Places Grant - Sensory Equipment						55	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			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			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	5	1,698	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	17	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	80	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				3	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		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									
		Latest Approved Council July 2018				77,102			
		New Schemes Approved				8,815			
		Supplementary Estimates Approved				200			
		Virements Approved							
		Completed schemes removed				-5,062			
		Previously Forecast Variations - Approved							
		Total Approved Budget				81,055			
		Latest Forecast Variations shown above (Increased Budgets							
		Require Approval)				4,802			
		Latest Forecast Budget December 2018				85,857			

[illegible]

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																		
Spend to 31/12/18	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2018/19	Additional/ Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2018/19	Change in Scheme Phasing	More/Less (-) Than Approved Budgets	Variance for 2018/19 Additional Budget Requires Approval	Proposed Budget 2018/19	Previously Reported to Audit Committee December 2018	2019/20 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
											2019/20 BUDGET							
Variations																		
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																		
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s	Original Approved Estimate 2019/20	Additional/ Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2019/20	£000s	£000s	£000s	£000s
	Director of Corporate Services																	
460	1 Digital Services Replacement Programme	583	150	PV	733	-249	39	-210	523	698	350			350	249		93	692
33	2 Leisure Management System	35			35			0	35	35				0				0
	3 Theatres' Fire Alarm Replacement	75			75	-65		-65	10	10				0	65			65
35	4 Theatres' Equipment	35			35			0	35	35				0				0
2	5 Oaklands Museum Security Upgrades	2			2			0	2	2				0				0
	Director of Financial Services																	
	No Schemes	0			0			0	0	0				0				0
	Director of Public Places																	
41	6 CCTV Replacement Equipment	107			107	-50	-16	-66	41	91				0	50		15	65
8	7 CCTV Replacement Cameras	66			66	-50		-50	16	66				0	50			50
	8 CCTV Forest Drive CIL	15			15			0	15	15				0				0
165	9 Crematorium Equipment	171			171	-6		-6	165	171				0	6			6
8	10 Columbarium	13			13			0	13	13				0				0
	11 Civic Centre Alarm	150			150	-150		-150	0	150				0	150			150
	12 Civic Centre Boiler Flues				0			0	0	0				0			32	32
	13 Dovedales Replacement Equipment	5			5	-5		-5	0	5				0	5			5
20	14 Riverside Replacement Equipment	30			30			0	30	30				0				0
199	15 Riverside Ice Rink Barrier	180			180		20	20	200	200				0				
14	16 CSAC Replacement Equipment	15			15			0	15	15				0			24	24
33	17 CSAC Track Refurbishment	38			38			0	38	38				0			29	29
4	18 SWFLC Replacement Programme	5			5			0	5	5				0			5	5
16	19 CSAC Plant Replacement	15			15		3	3	18	18				0				0
4	20 SWFLC Plant Replacement	21			21	-14		-14	7	17				0	14			14
	21 Riverside Plant Replacement	36			36		10	10	46	46				0				0
9	22 Hylands House Heating and M and E	10			10			0	10	10				0				0
195	23 Play Area Replacements	191			191		4	4	195	195				0				0
14	24 Parks and Sports Grounds Heating Systems	17			17			0	17	17								0
	25 Sports Equipment, floodlights, Irrigation	0			0			0	0	0							10	10
40	26 Outdoor Gyms	55			55			0	55	55				0				0
171	27 Parks Replacement Vehicles and Equipment	364			364	-199	6	-193	171	314				0	199	10	164	373
	28 PHPS Vehicles - Litter Control Van				0			0	0					0			24	24
	29 Freightier House Plant	20			20			0	20	20				0			58	58
	30 Freightier House Canopy Recycling Bays	0	13	SEN	13			0	13	NEW				0				0
3	31 Scootas for the Disabled	0			0		3	3	3	1				0				0
	32 Retail Market Intruder Alarm	0			0			0	0	0				0			13	13
47	33 Bus Shelters	0	80	SEN	80	-30		-30	50	80				0	30			30

APPENDIX

[illegible]

CABINET
29 January 2019

AGENDA ITEM 7.1

Subject	ALLOCATING AND SPENDING CHELMSFORD'S COMMUNITY INFRASTRUCTURE LEVY (CIL)
Report by	CABINET MEMBER FOR PLANNING AND ECONOMIC DEVELOPMENT

Enquiries contact: Stuart Graham, 01245 606364 stuart.graham@chelmsford.gov.uk

Purpose

At its meeting on 13th June, Cabinet agreed an amended approach to the governance arrangements for spending the Community Infrastructure Levy (CIL).

80% of CIL received is reserved for the delivery of strategic infrastructure, known as the strategic allocation. This must be spent on infrastructure as defined in the Planning Act 2008.

The new process agreed by Cabinet established the principle that 4/5 of the 80% strategic allocation is reserved for strategic priorities to be identified by the City Council in consultation with partners, whilst 1/5 of the 80% strategic allocation will be made available through an expressions of interest process, where other infrastructure projects can be identified and funded.

A call for expressions of interest for the 1/5 of the strategic allocation went out on 24th September for a six-week period. This report sets out the expressions of interest received and makes recommendations for the approval of funding, following their consideration by the CIL Spending Panel on 4th December 2018.

Options

Agree, not agree or amend the recommendations put forward by the CIL Spending Panel as set out in the report.

Recommendation

- a) That Cabinet agrees to the recommendations put forward by the CIL Spending Panel as set out in this report.
- b) In relation to Project 6, the Director of Sustainable Communities after consultation with the Leader, Cabinet Member for Finance and Cabinet Member for Planning and Economic Development is authorised to approve the allocation of the funding.

Corporate Implications	
Legal:	The Community Infrastructure Levy is governed by the CIL Regulations 2010 (as amended). The definition of infrastructure is contained within the Planning Act 2008 and expenditure must accord with this legislative framework. Other legal considerations are contained in the body of the report.
Financial:	The Council has been collecting CIL monies since it approved the implementation of the levy in 2014. Regulations state that this money must be spent on infrastructure to support the development of the area. This report details projects requesting CIL funding and recommends how CIL monies are spent.
Personnel:	None
Risk Management:	None
Equalities and Diversity:	None
Health and Safety:	None
IT:	None
Other:	None

Consultees	Chief Executive, Director of Sustainable Communities, Director of Financial Services, Director of Public Places, Director of Corporate Communications, Director of Community Services, Leader of the Council. Cabinet Member for Planning and Economic Development, Cabinet Member for Finance
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Policies and Strategies

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

N/A

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 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 and Context

- 1.1 In June 2018 Cabinet agreed to amended governance arrangements for the spending of the 80% strategic allocation of CIL. These set out that of the 80% strategic allocation of CIL, 1/5 would be made available through an expression of interest process, where infrastructure projects can be potentially identified and funded.
- 1.2 To date, the 1/5 of the strategic allocation of CIL collected by Chelmsford City Council and uncommitted to projects totals £1m.
- 1.3 A call for expressions of interest for 1/5 of the strategic allocation was sent to strategic infrastructure delivery partners on 24th September 2018 and was open for a six-week period, to 5th November 2018. Alongside internal City Council service areas, the invitation was sent to NHS England and Essex County Council.
- 1.4 Following the call for expressions of interest, nine projects were submitted. These were considered by the CIL Spending Panel on 4th December 2018.
- 1.5 In line with the CIL Regulations, the strategic allocation of CIL must be used by the Council to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area. The definition of infrastructure in the Planning Act 2008, includes:
- Roads and other transport facilities
 - Flood defences
 - Schools and other educational facilities
 - Medical facilities
 - Sporting and recreational facilities
 - Open space
- 1.6 Legal advice has been sought to ensure that all nine projects meet the required definition of infrastructure listed in section 216 (2) of the 2008 Planning Act. The advice relates specifically to the 80% strategic allocation of CIL.
- 1.7 The legal opinion was that projects 1-6 listed at 2.1 of this report are a legitimate use of strategic CIL funds.
- 1.8 Projects 7-9 listed at 2.1 of this report, submitted by homeless charity Sanctus, were subject to advice that can be summarised as follows:

The facilities in the statutory infrastructure list, while not exhaustive, are primarily facilities which exist to meet the needs of the general public or a section of the general public (e.g. children of school age) rather than a narrow proportion of the public with very specialised needs. It is doubtful that CIL was intended to fund projects focussed at a narrow proportion of the public. An argument could be made in favour, but Chelmsford may be minded to adopt a more cautious approach.

2. Expressions of Interest Received

2.1 The expressions of interest received comprise the following projects:

1. Chelmer Village Surface Water Flood Alleviation
2. Moulsham Surface Water Flood Alleviation
3. Main Road / Hospital Approach Highway Works
4. Wayfinding Phase 2
5. Chelmsford Museum Café
6. Cycling Infrastructure provision
7. Sanctus Educational Resources
8. Sanctus Premises Extension
9. Sanctus New Premises

2.2 Further information about each project is provided below, together with the recommendation from the CIL Spending Panel.

2.3 Project 1: Essex County Council – Chelmer Village Surface Water Flood Alleviation Scheme

Amount of CIL requested - £100,000

Total project cost - £473,300

Project Description: A proposed flood storage area in Coronation Park within an area identified as a Critical Drainage Area in the Chelmsford Surface Water Management Plan. It would be delivered by Essex County Council with an expectation that Chelmsford City Council would continue maintenance of the flood bund once completed over its 100-year lifespan. Although the submission describes a “bund” there is no detailed information provided in terms of scale, location and impact on Coronation Park within the Council’s ownership.

Benefits proposed: Prevention of flooding to 73 residential properties currently at risk of surface water flooding in this location and surrounding infrastructure, including roads. This includes properties in Stanley Rise, Beeleigh Link and Kirk Place. The CIL funding would fill the funding gap, allowing access to an Environment Agency grant to deliver the project.

Joint funders: Essex County Council, Environment Agency grant (subject to remaining cost of project being funded).

Timeframe: Estimated to begin spring 2019, and complete in winter 2020.

Other factors: Given the limited information provided, the impact on the use of Coronation Park is not known. The Park has recently undergone a major drainage overhaul. The impact can only be assessed when further information and detail about the scheme is provided.

CIL Spending Panel recommendation: **Funding for the project is NOT approved**

There is insufficient detail on the project at this stage, and the impact on Coronation Park is not known. ECC have expressed an intention to re-submit when the opportunity arises and the project is more developed.

2.4 Project 2: Essex County Council – Moulsham Surface Water Flood Alleviation Scheme

Amount of CIL requested - £100,000

Total project cost - £625,580

Project Description: A proposed flood storage area in Oaklands Park, an area identified as a Critical Drainage Area in the Chelmsford Surface Water Management Plan. Delivered by Essex County Council, Chelmsford City Council would continue maintenance of the flood bund once completed over its 100-year lifespan.

Benefits proposed: Prevention of flooding to 72 residential properties currently at risk in this location in the Old Moulsham area including Vicarage Road and Oaklands Crescent and surrounding infrastructure, including roads. The CIL would fill the funding gap, allowing access to a Flood Defence grant from the Environment Agency.

Joint funders: Essex County Council, Environment Agency grant (subject to remaining cost of project being funded).

Timeframe: Estimated to begin spring 2019, and complete in winter 2020.

Other factors: Given the limited information provided, the impact on the use of Oaklands Park is not known. The park is used by a number of community groups, schools and visitors. The impact can only be assessed when further information and detail about the scheme is provided.

CIL Spending Panel recommendation: **Funding for the project is NOT approved**

There is insufficient detail on the project at this stage, and the impact on Oaklands Park is not known. ECC have expressed an intention to re-submit when the opportunity arises and the project is more developed.

2.5 Project 3: Essex County Council – Main Road / Hospital Approach

Amount of CIL requested - £97,000

Total project cost - £720,000

Project Description: Alterations and improvements to the local highway network at the roundabout junction of Main Road (B1008) and Hospital Approach, Broomfield, incorporating carriageway widening (northbound western flare) and the extension of a 3m wide off-road footway/cycleway facility from Main Road to join with the recently completed facility on Hospital Approach.

The junction provides access to Broomfield Hospital and is a major access route into and out of Chelmsford from the north. Congestion here will increase with additional traffic from the Hospital Approach residential development. The works are a committed scheme in the transport modelling in the Local Plan submission. The Local Plan includes a new allocation of 450 homes in this location which would benefit from the investment.

Benefits proposed: Increased capacity, reduced queue time and improved traffic flow.

Joint funders: Essex County Council (Chelmsford City Growth Package), Mid Essex Health Trust (S106 obligation).

Timeframe: The scheme is ready to proceed but delivery is subject to availability of road space being booked with Essex Highways. It is estimated that implementation would take 20 weeks.

Other factors: The works were originally to be provided by the Mid Essex Health Trust as part of the hospital expansion, but current tenders price the works above the amount held for the purpose. Additional funding is therefore required to deliver the works.

CIL Spending Panel recommendation: **Funding for the project is approved**

2.6 Project 4: Chelmsford City Council – Wayfinding Phase 2

Amount of CIL requested - £77,500

Total project cost - £155,000

Project Description: This would be the second phase of the Chelmsford Wayfinding scheme. Phase 2 would comprise wayfinding signs consisting of map nodes, finger posts and wall mounted signs located at Mill Square, Tindal Square surrounds, Waterloo Lane, Riverside, Bond Street, Springfield Road and River Can between New London Road and the High Street. Removal of the existing out of date black finger posts would also be implemented in these areas.

Benefits proposed: Better information for shopping and leisure visitors, ease route legibility, provide a consistent image for the city centre and reduce street clutter. Benefits should also be felt by businesses and organisations in the city centre, and destination locations such as Chelmsford Museums, the Cathedral, and Essex Record Office.

Joint funders: Chelmsford City Council. £77,500 already within Capital Programme.

Timeframe: 24 weeks total. Location and sign artwork 6 weeks. 16 weeks from order being placed with manufacturer to completion of installation.

CIL Spending Panel recommendation: **Funding for the project is approved**

2.7 Project 5: Chelmsford City Council – Museum Development Project, New Café

Amount of CIL requested - £55,000

Total project cost - £305,710

Project Description: Creation of a new café within the Victorian House at Chelmsford Museum. The proposed design will use references to the original uses of the rooms, influences from the House's original features and the Museum's

collections. The café has been largely constructed and the CIL requested will contribute towards new water mains, servery and seating room decoration, lighting to servery, changes to windows and creation of ramps to the café and external seating areas.

Consultation exercises have shown a desire to provide a café on the Museum site, with public feedback and third party advice suggesting Museum visitors, park visitors, and local residents will make good use of the facilities.

Benefits proposed: Increase visitor dwell time and blend the park and Museum together, making the Museum a 'heritage destination' to rival other visitor attraction/destinations in Essex. Offer a more complete visitor experience, widen the appeal of the museum beyond its core audience and provide some income for the service. Improve accessibility.

Joint funders: The café is part of the wider museum redevelopment which has been primarily funded by the Heritage Lottery Fund.

Timeframe: The café has been largely constructed and would be opened in February 2019 subject to an agreement with a catering partner.

Other factors: Planning permission was granted in May 2017.

CIL Spending Panel recommendation: **Funding for the project is approved**

2.8 Project 6: Chelmsford City Council - Integrated Cycling Infrastructure

Amount of CIL requested - £100,000

Total project cost - £100,000

Project Description: The Chelmsford City Growth Package is providing cycle ways from Great Waltham to Chelmsford city centre. CIL funding is requested to maximise its benefits, providing cycle route maintenance (signage, cycling lane painting, removal of vegetation/obstructions) and cycle provision improvements to be identified, but likely to include upgrading cycling infrastructure e.g. cycle parking, and mode shift incentives e.g. participation schemes. The route(s) will be along Broomfield Road and branch onto Broomfield Hospital, Chelmer Valley High School, St John Payne's Comprehensive School and Anglia Ruskin University (ARU).

Benefits proposed: Improve cycle connectivity and cycling participation within North and Central Chelmsford in accordance with the ECC Cycling Strategy and Chelmsford Cycling Action Plan. The project will also contribute to the Chelmsford City Growth Package Broomfield Corridor scheme.

Provide sustainable alternatives to private car usage, encouraging residents to participate in active travel and reducing vehicle pollution and improving air quality of the area.

Promotion of active travel will tackle the issue of inactivity and obesity in support of Chelmsford's existing health improvement initiative. Physical activity has also been shown to enhance an individual's mental health.

Joint funders: ECC has secured £15million of SELEP and ECC funding to be invested in sustainable transport methods designed to alleviate pressure on Chelmsford's road network via the Growth Package.

Timeframe: Expected to start on 5th September 2019, and finish 11th December 2020. This time frame is in conjunction with ECC's schedule for works on Broomfield Road.

Other factors: Maintenance and repair of cycle paths will be carried out by ECC. Maintenance of bicycle storage units/ cycling infrastructure will be the responsibility of the land owners/occupiers. Discussions have confirmed that ECC will be a supportive partner.

CIL Spending Panel recommendation: **Funding for the project is approved IN PRINCIPLE, subject to further details and project plan being provided and agreed.**

The project has the potential to add to the City Centre Growth Package but there is insufficient detail at this time. Chelmsford City Council's Public Health and Protection Services Manager will gather and report more specific detail to the next meeting of the CIL Spending Panel, anticipated to be February / March 2019.

2.9 Project 7: Sanctus – Education resource

Amount of CIL requested - £5,000

Total project cost - £10,000

Project Description: Creation of an online educational portal and support space. The online portal has already been fully funded (£5k). The CIL request is for equipment including laptops, desks and chairs, and redecorating costs.

Benefits proposed: Help tackle homelessness, isolation and crime through education and training in skills for reintegration into society, social and educational needs and behavioural difficulties.

Joint funders: Don Hansen Charitable Foundation

Timeframe: Immediate

Other factors: Consideration should be given to the legal advice summarised at 1.5 to 1.8 of this report.

CIL Spending Panel recommendation: **Funding for the project is NOT approved**

Whilst this project is not considered to be suitable for an allocation from the strategic allocation of CIL, the City Council will work with the organisation to identify alternative funding sources which may include funding from the CIL neighbourhood allocation which has more flexible spending restrictions.

2.10 Project 8: Sanctus – Extension of existing premises

Amount of CIL requested - £14,700

Total project cost - £26,700

Project Description: Refurbishment of a flat above Sanctus' existing premises, security cameras, safety improvements and furnishing. Creation of private and small group spaces to provide one-to-one support and accommodate drop in sessions with other organisations. Creation of additional office space.

Benefits proposed: Enhanced provision of services and a more coherent service to better support vulnerable persons.

Joint funders: Police and Crime Commissioner £12k funding for a staff member to run activities, refreshments, a film projector and other extracurricular resources. Not directly related to refurbishment.

Timeframe: Ready to proceed after two-month notice period for flat's existing tenants. No timeframe provided for completion of works.

Other factors: Consideration should be given to the legal advice outlined at 1.5 to 1.8 of this report.

CIL Spending Panel recommendation: **Funding for the project is NOT approved**

Whilst this project is not considered to be suitable for an allocation from the strategic allocation of CIL, the City Council will work with the organisation to identify alternative funding sources which may include funding from the CIL neighbourhood allocation which has more flexible spending restrictions.

2.11 Project 9: Sanctus – New premises

Amount of CIL requested - £170,000

Total project cost - £512,000

Project Description: Purchase of new premises as a permanent new location for Sanctus to operate.

Benefits proposed: Help address increase in homelessness. Develop range of services offered, including one to one counselling and mentoring, drug, alcohol and gambling support, a community activity space, administrative support, CV writing and skill development and advice for jobs, housing and benefits.

(Daily user numbers winter 2016 = 45; winter 2017 = 80; winter 2018 expected = 100.)

Joint funders: None confirmed. Since the Expression of Interest was submitted, Don Hanson Charitable Trust named as a potential part funder are now unable to offer any funding, although their contribution was never confirmed. There is some uncertainty regarding other funding streams.

Timeframe: Unknown. No funding in place yet and no building identified.

Other factors: Consideration should be given to the legal advice outlined at 1.5 to 1.8 of this report.

CIL Spending Panel recommendation: **Funding for the project is NOT approved**

Whilst this project is not considered to be suitable for an allocation from the strategic allocation of CIL, the City Council will work with the organisation to identify alternative funding sources which may include funding from the CIL neighbourhood allocation which has more flexible spending restrictions.

3. Conclusion

3.1 The total amount of CIL funding requested from the nine expressions of interest forms received totals £714,200.

3.2 The CIL Spending Panel has reviewed these nine projects and made recommendations, to be considered by Cabinet. Projects recommended for approval total £329,500.

Appendices

None

Background Papers

None

CABINET
29 January 2019

AGENDA ITEM 7.2

Subject	DRAKES FARM PLOT – NORTH EAST CHELMSFORD
Report by	CABINET MEMBER FOR PLANNING AND ECONOMIC DEVELOPMENT

Enquiries contact: Karen Short, Ext 6779, karen.short@chelmsford.gov.uk

Purpose

The purpose of the report is to seek Cabinet approval to:

- (i) allow the landowner of the selected site for the potential provision of a Gypsy and Traveller site, to transfer the freehold interest of the land (substantially in the form of a separate Drakes Farm Transfer Agreement) directly to the Registered Provider, and not first to Chelmsford City Council;
- (ii) upon their acquisition of the freehold interest of the land, the Registered Provider to undertake the servicing works necessary to make the site fit for human habitation and occupation; and
- (iii) Chelmsford City Council to transfer the commuted sum to cover the full costs of servicing works to the Registered Provider in staged payments, in accordance with a separate Drakes Farm staged payments agreement, to be entered into between the Council and the Registered Provider.

Options

Cabinet can approve or reject the recommendation listed below and to note that a variation to the s106 Agreement for Channels (10/01976/OUT refers) will be sought.

Recommendations

The Cabinet authorise:

- (i) that the freehold interest of the land (substantially in the form of a separate Drakes Farm Transfer Agreement) can be transferred directly to the Registered Provider, and not first to Chelmsford City Council, following payment of an agreed commuted sum by the landowner, to Chelmsford City Council, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation;
- (ii) that upon their acquisition of the freehold interest of the land, the Registered Provider undertake the servicing works necessary to make the site fit for human habitation and occupation; and

- (iii) Chelmsford City Council to transfer the commuted sum to cover the full costs of servicing works to the Registered Provider in staged payments, in accordance with a separate Drakes Farm staged payments agreement, to be entered into between the Council and the Registered Provider.

Corporate Implications

Legal:

The City Council served the Drakes Farm Plot Notice on the owners of the land on 13th March 2014 identifying Plot A as the plot for the potential provision of a Gypsy and Traveller site. The Channels s106 Agreement required the City Council to subsequently make an application for planning permission (to include the additional land). Agreement was given by Cabinet on 30th January 2018 to allow a Registered Provider, now Hastoe Housing Association, to make the application and to allow the Registered Provider to implement the drainage works, if subsequently agreed with the landowner. The City Council was to then transfer the site to the Registered Provider. Agreement was given by Cabinet on 3rd July 2018 to allow the City Council to exercise an option to allow the commuted sum to be paid to the City Council, by the landowner, upon the grant of planning permission and expiry of the period for Judicial Review. The commuted sum payment was then to be passed to the Registered Provider, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation (to be delivered by the Registered Provider) and if necessary, to cover the full costs of carrying out the decontamination and remediation works on site (by the Registered Provider). Agreement is now sought to allow the landowner of the site to transfer the freehold interest directly to the Registered Provider. The terms of the transfer would be contained in a separate legal document, the Drakes Farm Transfer Agreement. The transfer of the freehold interest of the land would take place following payment of an agreed commuted sum by the landowner, to Chelmsford City Council. The commuted sum payment would cover the full costs of providing the services necessary to make the site fit for human habitation and occupation and be paid to Chelmsford City Council, within an agreed period, following the grant of planning permission on 13 December 2018 (18/01476/FUL refers) and expiry of the Judicial Review period. Following their acquisition of the freehold interest of the land, the Registered Provider would undertake the servicing works necessary to make the site fit for human habitation and occupation. Members are asked to note that if Cabinet agree to the recommendations within the report, then the s106 Agreement will need to be varied to reflect the changes. The decision to vary a section 106 Agreement is not an executive function and thus cannot be taken by Cabinet. The Planning Committee authorised a variation of the Channels s106 Agreement (10/01976/OUT refers) along the lines detailed in Section 9 of the report to the Planning Committee on 4 December 2018 and for the Director of Sustainable Communities, after consultation with the Legal & Democratic Services Manager, to complete the deed of variation to the Agreement under delegated powers.

Financial:	<p>Following the grant of planning permission on 13 December and expiry of the period for Judicial Review, the landowner will be required, within an agreed period, to pay a commuted sum to the City Council to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation by the Registered Provider.</p> <p>A contribution is payable by Countryside Zest to the sum of £612,000 for the physical construction of the site should planning permission be granted; this figure has been worked out on a detailed basis, and on an average figure from Homes England, of £60,000 per plot.</p>
Personnel:	None
Risk Management:	<p>A successful claim for Judicial Review against the grant on 13 December 2018 of planning permission for the Gypsy and Traveller site would result in the failure to deliver nine additional pitches within the North Chelmsford area, which would contribute towards the identified need for additional sites for Gypsy and Traveller accommodation within the City area. The Council would then be left vulnerable to appeal for the use of other sites within the City area; this has already happened, due to the delay in delivery of NE Chelmsford.</p> <p>The site is transferred from the landowner to the Registered Provider within an agreed period following payment of a commuted sum to Chelmsford City Council to cover the costs of servicing works. The commuted sum is paid to Chelmsford City Council within an agreed period following the grant of planning permission and expiry of the Judicial Review period. The £612,000 from Countryside Zest for physical provision of the plots has been calculated using the best information available at the time. The site will be developed to a budgetary ceiling of £612,000, in accordance with the s106 Agreement.</p>
<p>Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out? Y/N)</p>	<p>The need for provision of a specialist residential site for Gypsies and Travellers is a fundamental tenet of the Area Action Plan, which went through a full Examination in Public leading to its adoption. The Council is required by National Planning Policy (the National Planning Policy Framework and Planning Policy for Traveller Sites) to maintain a five year supply of deliverable Gypsy and Traveller sites. Currently, the City Council has zero years of supply and is open to challenge on other sites without such provision and ultimately imposition of a site by the Government.</p>
Health and Safety:	None.
IT:	None.
Other:	None.
Consultees	<p>CCC Planning and Housing Policy Team</p> <p>CCC Legal Services</p>

Policies and Strategies

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

Chelmsford Draft Local Plan Pre-Submission Document (Regulation 19 – Publication Draft)
January 2018

North Chelmsford Area Action Plan Adopted July 2011

Core Strategy and Development Control Policies Development Plan Document Adopted 20th
February 2008.

Core Strategy and Development Control Policies Focused Review Development Plan
Document Adopted December 2013

Corporate Plan Priorities

The report relates to the following priorities in the Corporate Plan

Attracting investment and delivering infrastructure	√
Facilitating suitable housing for local needs	√
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. Introduction

- 1.1 Outline planning permission was granted on 30th October 2012 (10/01976/OUT refers) for a residential-led development comprising a minimum of 650 and a maximum of 750 dwellings, open space and a community hub, provision of the northern section of the Radial Distributor Road and junction improvement works to Essex Regiment Way on land to the north, south and east of Belsteads Farm Lane, principally occupied by Channels Golf Course (Channels).
- 1.2 The s106 Agreement for the development secures the transfer of one of two parcels of land within the ownership of the applicant at Drakes Lane for potential provision as a Gypsy and Traveller site.
- 1.3 The s106 Agreement for development by Countryside Zest at Beaulieu (planning application 09/01314/EIA refers) secures a capped financial contribution of £612,000 to facilitate physical provision of the Gypsy and Traveller site.
- 1.4 A report was presented to Cabinet on 4 March 2014 (see Appendix 1) which sought approval to the selection of a site for potential provision of a Gypsy and Traveller site in North Chelmsford, as required by the s106 Agreement for the residential-led development on Channels Golf Course. Cabinet authorised the City Council to serve notice on the owner of the Drakes Farm Plots to transfer Plot A (see Appendix 1) to the authority should planning permission subsequently be granted for its provision as a Gypsy and Traveller site.
- 1.5 The process does not remove the need for planning permission.

- 1.6 A second report was presented to Cabinet on 30 January 2018 (see Appendix 2), which sought authority to (i) increase the size of the selected site to enable liquid petroleum gas to be stored on site (not now required), the installation of drainage and a play area and to (ii) allow the planning application for the extended site to be made by a Registered Provider, and not Chelmsford City Council.
- 1.7 A third report was presented to Cabinet on 3 July 2018 (see Appendix 3), which sought approval to (i) allow for a scenario where the planning application was submitted for the provision of nine gypsy and traveller pitches together with one pitch for a site manager, who may be a gypsy/traveller, and may be resident on the site and (ii) payment of a commuted sum to the City Council upon the grant of planning permission and expiry of the Judicial Review period, to cover the full costs of providing the services to the site, and if necessary, the costs of decontamination and remediation works on site.
- 1.8 The Council's Public Health & Protection Service has agreed, upon further examination of the landowner's specialist reports, that no further decontamination or remediation works are necessary.
- 1.9 The site and the extent of additional land which form the planning permission for the Gypsy and Traveller site (18/01476/FUL refers) are shown on the plan at Appendix 4.
2. Delivery of the Gypsy and Traveller Site
- 2.1 The previous Cabinet reports of 30 January 2018 and 3 July 2018 are predicated upon (i) the Registered Provider, now Hastoe Housing Association, undertaking the servicing works necessary to make the site fit for human habitation and occupation, whilst not owning the freehold interest of the land, i.e. under a licence arrangement with the landowner, and (ii) upon completion of the works, the site being transferred from the landowner to Chelmsford City Council and subsequently to the Registered Provider, the Housing Association.
- 2.2 Following discussion between the parties, it is considered that there is no need or requirement for the freehold interest of the land to be transferred from the landowner to Chelmsford City Council. Agreement is sought to allow the landowner of the site to transfer the freehold interest directly to the Registered Provider. The terms of the transfer would be contained in a separate legal document, the Drakes Farm Transfer Agreement.
- 2.3 The transfer of the freehold interest of the land would take place following payment of an agreed commuted sum by the landowner to Chelmsford City Council. The commuted sum payment would cover the full costs of providing the services necessary to make the site fit for human habitation and occupation and be paid to Chelmsford City Council within an agreed period following the grant of planning permission on 13 December 2018 and expiry of the Judicial Review period.
- 2.4 Following their acquisition of the freehold interest of the land, the Registered Provider would undertake the servicing works necessary to make the site fit for human habitation and occupation.
- 2.5 Chelmsford City Council would transfer the commuted sum payment to cover the full costs of the servicing works to the Registered Provider in staged payments, in accordance with the terms of a separate Drakes Farm staged payments agreement, to be entered into between the Council and the Registered Provider.
- 2.6 The proposed approach would allow the Registered Provider to undertake the servicing works as owner of the site, rather than under a licensing agreement with the current landowner. The commuted sum payment to cover the costs of the servicing works would

still be passed to Chelmsford City Council, but this would be transferred to the Registered Provider in a series of staged payments, in accordance with a Draft Transfer Agreement.

- 2.7 The Cabinet is asked to note that a deed of variation to the s106 Agreement will be sought, as the wording of Schedule 14 Clause would need to be amended accordingly.

3. Conclusion

- 3.1 The Cabinet is asked to authorise that (i) the freehold interest of the land (substantially in the form of a separate Drakes Farm Transfer Agreement) be transferred directly to the Registered Provider, and not first to Chelmsford City Council, following payment of an agreed commuted sum by the landowner, to Chelmsford City Council, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation; (ii) upon their acquisition of the freehold interest of the land, the Registered Provider undertake the servicing works necessary to make the site fit for human habitation and occupation; and (iii) Chelmsford City Council to transfer the commuted sum to cover the full costs of servicing works to the Registered Provider in staged payments, in accordance with the terms of a separate Drakes Farm staged payments agreement, to be entered into between the Council and the Registered Provider.
- 3.2 Agreement to the requested changes would allow the Registered Provider to undertake the servicing works as owner of the site, rather than under a licencing agreement with the current landowner.

List of Appendices

Appendix 1 – Cabinet Report 4th March 2014 and Minutes
Appendix 2 – Cabinet Report 30th January 2018 and Minutes
Appendix 3 – Cabinet Report 3rd July 2018 and Minutes
Appendix 4 – Drakes Farm Plot A – Increased Site Area

Background Papers

Nil.

CABINET
4th March 2014

AGENDA ITEM 6

Subject	SITE SELECTION – NORTH EAST CHELMSFORD
Report by	CABINET MEMBER FOR PLANNING AND ECONOMIC DEVELOPMENT

Enquiries contact: Karen Shearing, karen.shearing@chelmsford.gov.uk, Ext 6779

Purpose

The purpose of this report is to seek Cabinet approval to the selection of a site for the potential provision of a Gypsy and Traveller site in North Chelmsford as required by the S106 Agreement forming part of planning permission 10/01976/OUT (residential-led development on Channels Golf Course).

Options

Cabinet can approve or reject the recommendation listed below.

Recommendation

The Cabinet authorise the City Council to serve notice (referenced as the Drakes Farm Plot Notice within the S106 Agreement) on the owner of the Drakes Farm Plots stating that it has identified Plot A as the location for a potential Gypsy and Traveller site in North Chelmsford.

Corporate Implications

Legal:	The City Council is required to (i) serve the Drakes Farm Plot Notice on the owners of the land by 16 th April 2014 identifying the plot for the potential provision of a Gypsy and Traveller site, (ii) to make an application for planning permission in respect of the site identified in the Drakes Farm Plot Notice and (iii) to accept the transfer of the identified site by 1 st January 2015 (or another date as agreed between the City Council and the Owners) on completion of the required remediation and decontamination works, provision of the services required to make the site fit for human habitation and occupation and having obtained warranties for the works carried out.
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Financial:	<p>The City Council is required to make an application for planning permission in respect of the identified site for its provision as a potential Gypsy and Traveller site; there is a cost in preparing and submitting such an application.</p> <p>A contribution is then due from Countryside Zest to the sum of £612,000 for the physical construction of the site in the event that planning permission is granted; this figure has been worked out on a detailed basis and also on an average figure from the Homes and Communities Agency of £60,000 per plot.</p>
Personnel:	<p>The City Council is required to make an application for planning permission in respect of the identified site for its provision as a potential Gypsy and Traveller site.</p> <p>ECC has currently expressed interest in managing the site</p>
Risk Management:	<p>The refusal of planning permission for provision of the identified plot as a potential Gypsy and Traveller site would result in the failure to deliver ten additional pitches within the North Chelmsford area which would contribute towards the identified need for additional sites for Gypsy and Traveller accommodation within the City area. The Council would then be left open on appeal for the use of other sites within the City area; this has already happened due to the delay in delivery in NE Chelmsford.</p> <p>The Council receives a serviced and remediated site free of charge once permission has been granted. The £612,000 from Countryside Zest for physical provision of the plots has been calculated using the best information available at the time. The site will be developed to a budgetary ceiling of £612,000, in accordance with the S106 Agreement.</p>
Equalities and Diversity:	<p>The proposal is the first step in the provision of a specialist residential site for Gypsies and Travellers as identified in the Core Strategy and Development Control Policies Development Plan Document and the North Chelmsford Area Action Plan. The need for such provision for this section of the Community in this area is a fundamental tenet of the Area Action Plan which went through a full Examination in Public leading to its adoption. Without such provision the Council is open to challenge on other sites and ultimately possible imposition of a site by the Government.</p>
Health and Safety:	<p>The City Council is required to accept the transfer of the identified site by 1st January 2015 (or another date as agreed between the City Council and the Owners) on completion of the required remediation and decontamination works, provision of the services required to make the site fit for human habitation and occupation and having obtained warranties for the works carried out.</p>
IT:	None
Other:	None
Consultees	<p>CCC Public Health and Protection Service CCC Strategic Housing Services CCC Planning and Development Management – Trees ECC Countywide Traveller Unit Essex Ecology Services Limited Corporate Property Manager</p>

Policies and Strategies

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

North Chelmsford Area Action Plan Adopted July 2011

Core Strategy and Development Control Policies Development Plan Document Adopted 20th February 2008

Core Strategy and Development Control Policies Focused Review Development Plan Document

Position Statement – Gypsy and Traveller Accommodation

Corporate Plan Priorities

The report relates to the following priorities in the Corporate Plan

Attracting investment and delivering infrastructure	√
Facilitating suitable housing for local needs	√
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. Introduction

- 1.1 Outline planning permission was granted on 30th October 2012; 10/01976/OUT refers, for a residential-led development comprising a minimum of 650 and a maximum of 750 dwellings, open space and a community hub, provision of the northern section of the Radial Distributor Road and junction improvement works to Essex Regiment Way on land to the north, south and east of Belsteads Farm Lane, principally occupied by Channels Golf Course (Channels).
- 1.2 The S106 Agreement for the development secures the transfer of one of two parcels of land within the ownership of the applicant at Drakes Lane (see Appendix 1) for potential provision as a Gypsy and Traveller site. The site would accommodate ten pitches contributing towards the identified need for additional sites for Gypsy and Traveller accommodation within the City area.
- 1.3 The S106 Agreement for the proposed development by Countryside Zest on land immediately to the south of the Channels site; planning application 09/01314/EIA refers, will secure a capped financial contribution of £612,000.00 to facilitate physical provision of the Gypsy and Traveller site (Greater Beaulieu Park).
- 1.4 The report below sets out the findings of the independent surveys, utility surveys and expert reports as required by the S106 Agreement and recommends that the City Council serve written notice on the site owner to transfer Plot A to the authority in the event that planning permission is subsequently granted for its provision as a Gypsy and Traveller site.
- 1.5 The process does not obviate the need for planning permission.

2. Planning Permission 10/01976/OUT – S106 Agreement (Channels)

- 2.1 The S106 Agreement requires the owners to submit to the City Council, copies of independent surveys, utilities surveys and expert reports, together with full details of the associated costs to make either of the two identified sites (see Appendix 1) suitable for human occupation and habitation. The reports provided by the owners are listed as background papers below.
- 2.2 The City Council is required, by 16th April 2014, to serve notice on the owners stating which one of the two plots of land at Drakes Farm should be transferred to the City Council for provision as a Gypsy and Traveller site in the event that planning permission is granted.
- 2.3 Having served the notice, the City Council is required to make an application for planning permission in respect of the identified site for its provision as a Gypsy and Traveller site.
- 2.4 The Owners, in the event that planning permission is granted, are then required to carry out, at their own expense, all the remediation and decontamination works as detailed within the reports and surveys listed as background papers below, to provide all services required to make the identified site fit for human habitation and occupation and obtain warranties for the works carried out.
- 2.5 Having completed the works to the satisfaction of the City Council, the Owners are to transfer the identified site to the authority by 1st January 2015 (or another date as agreed between the City Council and the Owners) together with all warranties for the work undertaken.
- 2.6 The ten plots are counted towards the affordable housing provision within the S106 Agreement; in the event that the site does not go ahead, due to refusal of planning permission, the Channels developer is obliged to subsume the 10 plots back into the development site as affordable housing.

3. Sites

- 3.1 Two sites have been put forward by the site owners pursuant to the S106 Agreement (see Appendix 1 for the sites and Appendix 2 for the sites in the context of the wider area).
- 3.2 Plot A is situated at the junction of Drakes Lane and Boreham Road and currently comprises open, undeveloped grassland with some trees and hedges along the site boundaries. The plot is bounded to the south by a small area of woodland and a former sand and gravel quarry which consists of open land, ponds and lakes. The Drakes Lane Industrial Estate, which is an allocated Employment Area in the North Chelmsford Area Action Plan, is located approximately 100m to the west of the site.
- 3.3 Plot B is situated to the west of Plot A and comprises disused land. A vacant building is situated in the south-western part of the site and the remains/foundations of three former farm silos are present within the north-western part of the site. The land is bordered by preserved woodland to the east (TPO/2003/076) and Drakes Farm and residential properties to the west.

4. Merits of the Site

Ecology and Trees

- 4.1 Ecological survey work indicates that Plot B is of lower ecological value than Plot A with fewer ecological constraints. The development of Plot A is not however precluded subject to the owners adopting a series of risk avoidance measures during site clearance works in relation to Great Crested Newts and the implementation of enhancement measures prior to site transfer. The measures include provision of a new wildlife buffer along the site boundaries.
- 4.2 Sporadic trees are present around the road side boundary of Plot A but none are worthy of preservation or of any consequence. Visibility sight splays can be achieved without losing too much existing vegetation and there is scope to introduce screen planting outside of the splays. Plot B is situated immediately adjacent to preserved woodland but boundary fencing offers sufficient protection.

Contamination

- 4.3 Historic activity has resulted in a degree of contamination on both plots. Plot A was previously used as a storage area for overburden material during mineral extraction activities on adjacent land. Plot B was last used for agricultural purposes and for vehicle maintenance. The CCC Public Health and Protection Service has advised that both sites would be suitable for provision of a Gypsy and Traveller site but that clean soil capping would be required within any soft landscaped areas incorporated at Plot B due to the presence of marginally elevated levels of Benzo(a)pyrene.

Access and Highway Safety

- 4.4 The owners have supplied vehicle speed survey data for both plots. The County Highway Authority has stipulated the appropriate visibility sight splays required for the accesses to both plots in response to this data. The 160m visibility sight splay required to the west of the access to Plot B is not achievable within the highway boundary or land owned by the owner. On highway safety grounds the preference is therefore for Plot A.

Utilities

- 4.5 The plots both require the upgrade of a pole mounted transformer and the extension of the low voltage mains to the site. The owner has obtained costs for supplying a 30kVA single supply to each of the two sites and those costs would be borne by them as part of the transfer requirements set out within the S106 Agreement. No mains gas supply serves either site. Existing BT lines are situated within Drakes Lane and extension of the network is available for either plot.
- 4.6 Sufficient capacity exists within the local area to supply potable water to either plot. Existing water mains cross both plots close to Drakes Lane which may need to be diverted into the public highway; again those costs would be borne by the site owner.
- 4.7 The plots are not connected to mains public sewers and provision of a localised processing unit to dispose of foul sewage is required. The owner has provided details of a Klargester system, the cost of which would be borne by the site owner.
- 4.8 The utility reports indicate that either plot would be suitable for potential provision as a Gypsy and Traveller site.

Site Selection

- 4.9 Plot A is considered the most suitable and preferred site. The plot is situated further away from existing residential properties than Plot B (which is immediately adjacent to three residential properties). The Countywide Traveller Unit has advised that in their experience management of a site close to existing residential properties is fraught with difficulties due to the propensity for a high level of complaints. The shape of Plot A also lends itself to a more appropriate configuration of pitches.
- 4.10 Plot A is the most visible given its corner location however the ecological reports specify the need for a 5m wide wildlife buffer along the site boundaries planted with a native species-rich mix to provide connectivity with adjacent habitat and increase the biodiversity value of the site. Visibility sight splays can be achieved without losing too much existing vegetation and there is scope to introduce additional screen planting outside of the splays to lessen the visual impact of the Gypsy and Traveller site.
- 4.11 Access to the site can be accommodated without the need for acquisition of third party land.
- 4.12 The independent surveys and reports do not highlight any issues with de-contamination or provision of utilities to render the site unsuitable for human occupation and habitation.

5. Provision and Future Management

- 5.1 The S106 for the Countryside Zest development area secures a payment of £612,000 for the physical provision of the plots. The negotiated figure was based on detailed costings for a similar site and also on the Homes and Communities Agency's estimate of £60,000 per plot. The site will be developed to a budgetary ceiling of £612,000, in accordance with the S106 Agreement.
- 5.2 ECC Countywide Traveller Unit has advised that it would have an expression of interest either to (i) monitor and enforce the site licence if the site is sold privately or as individual plots, or (ii) manage the site as local authority provision; it is suggested that officers continue to have exploratory discussions with Essex County Council on those matters, as the scheme is progressed.
- 5.3 Alternative RSL providers would be sought in the event that ECC does not manage the site.

6. Recommendation

- 6.1 The Cabinet authorise the City Council to serve notice (referenced as the Drakes Farm Plot Notice within the S106 Agreement) on the owner of the Drakes Farm Plots stating that it has identified Plot A as the location for a potential Gypsy and Traveller site in North Chelmsford.

List of Appendices

Site Plan – Plots A and B

Background Papers

- Drakes Farm Letter – 09.04.13
- Drakes Farm Location Plan – Plots A & B
- Utilities Report – Plots A & B
- Phase 1 Environmental Survey – Plot A: April 2013
- Phase 1 Environmental Survey – Plot B: April 2013
- Ecological Report – Plot A: April 2013
- Ecological Report – Plot B: April 2013
- Drakes Farm – Electrical Supplies
- Electrical Connection Points
- Site Investigation Report – Plot A
- Site Investigation Report – Plot B
- Ecological Supplementary Report – Plot A
- Ecological Supplementary Report – Plot B
- Access Solution – Plot A
- Access Solution – Plot B
- Great Crested Newt Supplementary Report – January 2014
- Drakes Farm Plot – Speed Survey Locations
- Drakes Farm Plot – Speed Survey Data
- Drakes Farm Plot – Proposed Site Access Solution
- Supplementary E-Mail 22.01.14 – Utilities Information
- National Grid Correspondence – 28.01.14
- Essex & Suffolk Water Plan dated 28.01.14
- Klargester Sewer Treatment System Brochures

6. **Site Selection – North-East Chelmsford (Planning and Economic Development)**

Declarations of Interest: None

Summary: The Cabinet received a report on options for the location of a Gypsy and Travellers site in north Chelmsford, which was to be provided as part of a Section 106 agreement associated with the planning permission 10/01976/OUT.

Options:

1. Approve the recommended site at Drakes Farm
2. Approve the alternative site at Drakes Farm referred to in the report
3. Identify a different site to those described in the report

Chosen Option and Reasons

The site identified as Plot A in the report is the most suitable site, particularly with regard to access and highway safety.

RESOLVED that authority be given to serve notice (referenced as the Drakes Farm Plot Notice within the S106 Agreement) on the owner of the Drakes Farm Plots referred to in the report to the meeting stating that the City Council has identified Plot A as the location for a potential Gypsy and Traveller site in North Chelmsford.

Drakes Farm, land from Title No EX760485



approximate scale 1:2500 at A3

CABINET
30 January 2018

AGENDA ITEM 7

Subject	DRAKES FARM PLOT – NORTH EAST CHELMSFORD
Report by	CABINET MEMBER FOR PLANNING AND ECONOMIC DEVELOPMENT

Enquiries contact: Karen Shearing, Ext 6779, karen.shearing@chelmsford.gov.uk

Purpose

The purpose of this report is to seek Cabinet approval to:

- (i) an increase in the size of the selected site for the potential provision of a Gypsy and Traveller site in North Chelmsford (Cabinet minute ref M6, CAB30, 2014) as required by the s106 Agreement forming part of planning permission 10/01976/OUT (residential-led development on Channels Golf Course) to facilitate an acceptable drainage system, provision of a liquefied petroleum gas (LPG) storage vessel and play space, and
- (ii) the application being made by a Registered Provider and not Chelmsford City Council.

The Cabinet to note the following:

- (iii) A variation to the s106 Agreement will be sought to allow the drainage works and implementation of the LPG storage vessel to be undertaken by the Registered Provider, if subsequently agreed with the landowner, and to allow the planning application to be submitted by the Registered Provider and not Chelmsford City Council.

Options

Cabinet can approve or reject the recommendations listed below and note that a variation to the s106 Agreement will be sought.

Recommendations

The Cabinet authorise:

- (i) an increase in the size of the selected site for the potential provision of a Gypsy and Traveller site in North Chelmsford, and

- (ii) the planning application being made by a Registered Provider and not Chelmsford City Council.

The Cabinet to note the following:

- (iii) A variation to the s106 Agreement will be sought to allow the drainage works and implementation of the LPG storage vessel to be undertaken by the Registered Provider, if subsequently agreed with the landowner, and to allow the planning application to be submitted by the Registered Provider and not Chelmsford City Council.

Corporate Implications

Legal:	The City Council served the Drakes Farm Plot Notice on the owners of the land on 13 th March 2014 identifying Plot A (see Appendix 2) as the plot for the potential provision of a Gypsy and Traveller site. The s106 Agreement requires the City Council to subsequently make an application for planning permission (to include the additional land – see Appendix 3). Agreement is now sought to allow a Registered Provider to make the application. The City Council is required to accept the transfer of the identified site on completion of the required remediation and decontamination works, provision of the services required to make the site fit for human habitation and occupation and having obtained warranties for the works carried out. The Cabinet is asked to note that a variation to the agreement will be sought to allow the Registered Provider to implement the drainage works, if subsequently agreed with the landowner. The City Council would then transfer the site to the Registered Provider.
Financial:	The Registered Provider would make the application for planning permission in respect of the identified site and including the additional land for its provision as a potential Gypsy and Traveller site. The City Council is underwriting the initial costs in preparing and submitting the application. A contribution is then due from Countryside Zest to the sum of £612,000 for the physical construction of the site should planning permission be granted; this figure has been worked out on a detailed basis, and on an average figure from the Homes and Communities Agency, of £60,000 per plot.
Personnel:	The City Council is required to accept the transfer of the site upon completion of the works outlined above. The site would then be transferred to the Registered Provider who would manage the site.
Risk Management:	The refusal of planning permission for provision of the identified plot as a potential Gypsy and Traveller site would result in the failure to deliver ten additional pitches within the North Chelmsford area which would contribute towards the identified need for additional sites for Gypsy and Traveller accommodation within the City area. The Council would then be left open on appeal for the use of other sites within the City area; this has already happened due to the delay in delivery of NE Chelmsford. The Council receives a serviced and remediated site free of charge once permission has been granted which is then transferred to the Registered Provider. The £612,000 from

	Countryside Zest for physical provision of the plots has been calculated using the best information available at the time. The site will be developed to a budgetary ceiling of £612,000, in accordance with the s106 Agreement.
Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out? Y/N)	The application will mark the first step in the provision of a specialist residential site for Gypsies and Travellers as identified in the Core Strategy and Development Control Policies Development Plan Document and the North Chelmsford Area Action Plan. The need for such provision for this section of the community in this area is a fundamental tenet of the Area Action Plan which went through a full Examination in Public leading to its adoption. The City Council is open to challenge on other sites, without such provision, and ultimately possible imposition of a site by the Government.
Health and Safety:	The City Council is required to accept the transfer of the site upon completion of the works outlined above. The site would then be transferred to the Registered Provider who would manage the site.
IT:	None.
Other:	None.

Consultees	CCC Planning and Housing Policy Team CCC Legal Services
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Policies and Strategies

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

North Chelmsford Area Action Plan Adopted July 2011

Core Strategy and Development Control Policies Development Plan Document Adopted 20th February 2008.

Core Strategy and Development Control Policies Focused Review Development Plan Document Adopted December 2013

Chelmsford Draft Local Plan Preferred Options Consultation Document March 2017

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 checked="" 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. Introduction

- 1.1 Outline planning permission was granted on 30th October 2012, 10/01976/OUT refers, for a residential-led development comprising a minimum of 650 and a maximum of 750 dwellings, open space and a community hub, provision of the northern section of the Radial Distributor Road and junction improvement works to Essex Regiment Way on land to the north, south and east of Belsteads Farm Lane, principally occupied by Channels Golf Course (Channels).
- 1.2 The s106 Agreement for the development secures the transfer of one of two parcels of land within the ownership of the applicant at Drakes Lane for potential provision as a Gypsy and Traveller site. The site would accommodate ten pitches contributing towards the identified need for additional sites for Gypsy and Traveller accommodation within the City area.
- 1.3 The s106 Agreement for development by Countryside Zest at Beaulieu; planning application 09/01314/EIA refers, secures a capped financial contribution of £612,000 to facilitate physical provision of the Gypsy and Traveller site.
- 1.4 A report was presented to Cabinet on 4th March 2014 (see Appendix 1a) which sought approval to the selection of a site for potential provision of a Gypsy and Traveller site in North Chelmsford, as required by the s106 Agreement for the residential-led development on Channels Golf Course. Cabinet authorised the City Council to serve notice on the owner of the Drakes Farm Plots to transfer Plot A (see Appendix 1b) to the authority should planning permission subsequently be granted for its provision as a Gypsy and Traveller site.
- 1.5 The process does not remove the need for planning permission.

2. Preparation of the Planning Application

Site Area

- 2.1 Plot A (see Appendix 2), the selected site, is situated at the junction of Drakes Lane and Boreham Road and currently comprises open, undeveloped grassland with some trees and hedges along the site boundaries. The plot is bounded to the south by a small area of woodland and a former sand and gravel quarry which consists of open land, ponds and lakes. The Drakes Lane Industrial Estate, which is an allocated Employment Area in the North Chelmsford Area Action Plan, is located approximately 100m to the west of the site.
- 2.2 The red line plan appended to the Channels s106 Agreement, which identified the Drakes Farm Plot A married with that presented to Cabinet.
- 2.3 Preparation of the planning application is progressing and it is the intention that this is submitted by a Registered Provider (see below). The provider has been developing a scheme layout, in discussion with officers of the City Council and other external consultees. During their work, it was determined that to facilitate an acceptable drainage solution, provide an LPG storage vessel and play space to serve the ten pitches, additional land to the west of the agreed site would be required (see Appendix 3). The red line for the planning application would therefore be materially different from that shown on the Plot A plan. Cabinet approval is therefore required to the variation.

1. Drainage

- 2.4 The site is not connected to mains public sewers and provision of a localised processing unit to dispose of foul sewage is required. Initially, it had been assumed that the development would proceed based on the disposal of individual pitches, with each pitch having its own package sewage treatment plant. The owners of the Drakes Farm Plot A had proposed use of a Klargestar system, the cost of which was to be borne by them.
- 2.5 New Environment Agency rules came into force on 1st January 2015, after the Cabinet decision on 4th March 2014, and the space required for individual drainage fields meant that the area for the residential pitches would be substantially reduced and the site would not be able to accommodate ten pitches. Test drilling also established that the site consists of a layer of made up ground, presumed to be waste material left over from gravel extraction, and beneath it a band of clay. Percolation (and further oxygenation) of waste water in the soil would not therefore have met standards, presenting the risk of groundwater pollution; as such implementation of the system would not have been permitted by the Environment Agency.
- 2.6 Given that individual package treatment plants and drainage fields would not have presented an acceptable solution in this location, it was concluded that development of the site, based upon disposal of pitches to individual traveller families was not realistic. Instead it was considered that the site would need to be managed by a housing association or similar, with waste treatment facilities provided for the site in its entirety.
- 2.7 The provision of a sewerage treatment plant is the most acceptable solution to dealing with drainage in an effective and responsible manner; however, insufficient space is available within the agreed site to deliver the system and provide the required ten pitches in accordance with good practice site design. The landowner has offered an extended site to provide the additional land to locate the sewerage treatment plant.

2. Liquefied Petroleum Gas (LPG)

- 2.8 No mains gas supply serves the site. The Registered Provider wishes to install an LPG tank on the site for gas heating as this will reduce, or negate, the need for individual gas cylinder heaters. The solution is both cheaper and safer. The tank is usually housed in a bulk storage vessel below ground, which requires quite a significant parcel of underground land and which needs to be accessible for deliveries.
- 2.9 The storage vessel cannot reasonably be accommodated within the agreed site area, whilst also delivering an acceptable drainage solution and arranging the pitches in a manner which follows good practice site guidance. On that basis, there is a need for inclusion of additional land to the west of the agreed site.

3. Play Space

- 2.10 Good practice guidance recommends that consideration be given to the inclusion of a communal recreation area for children of all ages with natural surveillance.
- 2.11 A play area is not deliverable on the agreed site; consequently, it is necessary to reposition one or more pitches onto the additional land to the west to accommodate a small play area, which should benefit from natural surveillance from the surrounding pitches.

Submission of the Planning Application

- 2.12 The previous Cabinet report stated that 'The City Council is required to make an application for planning permission in respect of the identified site for its provision as a potential Gypsy and Traveller site.' Having regard to the position regarding drainage, as set out above, it was agreed to approach local housing associations to ascertain whether any would be willing to manage the site.
- 2.13 A Registered Provider expressed an interest, and is currently developing a scheme with the intention of submitting a planning application in Spring 2018. The approach represents the most practical and appropriate means of managing the site in the future. Approval is sought to allow the Registered Provider, rather than the City Council, to submit the planning application.

Implementation of Drainage and LPG Storage Vessel

- 2.14 The proposed approach to drainage, and the provision of liquefied petroleum gas, is set out above. The Registered Provider would like to install the drainage system and liquefied petroleum gas themselves, based on experience with other sites.
- 2.15 The s106 Agreement requires the owners to undertake the required remediation and decontamination works as summarised in the previous Cabinet report, to provide the services required to make the site fit for human habitation and occupation and to obtain, and provide, warranties for the works carried out, upon transfer of the site to the City Council.
- 2.16 A meeting is to be scheduled between the City Council and the land owner to discuss the proposal by the Registered Provider to implement the drainage works and implementation of the LPG storage vessel themselves. Should the land owner be agreeable, then the site which they would transfer to the City Council would not be fully made fit for human habitation and occupation. The Cabinet is asked to note that a deed of variation to the s106 Agreement will be sought, as the wording of Schedule 14 Clause 4 would need to be amended accordingly.

3. Conclusion

- 3.1 The Cabinet is asked to authorise (i) an increase in the size of the selected site for the potential provision of a Gypsy and Traveller site in North Chelmsford and (ii) the planning application being made by a Registered Provider and not Chelmsford City Council. The Cabinet is asked to note that a variation to the s106 Agreement will be sought to allow the drainage works and implementation of the LPG storage vessel to be undertaken by the Registered Provider, if subsequently agreed with the landowner, and to allow the planning application to be submitted by the Registered Provider and not Chelmsford City Council.
- 3.2 Agreement to the requested changes will allow the Registered Provider to continue with the preparation of their planning application in a manner which will ensure acceptable delivery of foul drainage and gas to serve the scheme and the appropriate provision of play space.
- 3.3 The planning application is intended to be submitted in Spring 2018 and will be considered by the Planning Committee.

List of Appendices

Appendix 1 – Cabinet Report 4th March 2014 and Minutes

Appendix 2 – Drakes Farm Plot A

Appendix 3 – Drakes Farm Plot A – Increased Site Area

Background Papers

Nil.

7. **Drakes Farm Plot, North-East Chelmsford (Planning and Economic Development)**

Declarations of Interest: None

Summary: The Cabinet was informed that it was proposed to increase the size of the plot identified for the provision of a ten-pitch gypsy and traveller site to be provided at Drakes Lane as part of the Channels redevelopment in north-east Chelmsford. The extended site was required to enable drainage to be installed and liquid petroleum gas to be stored on site. It was also proposed that the site be managed by a Registered Provider.

Options: Approve or not the increase in the site and the proposed arrangements with a Registered Provider.

Chosen Option and Reasons: The proposed actions would meet the requirement to provide a suitable site for gypsies and travellers in north-east Chelmsford and enable the site to be managed by a Registered Provider.

RESOLVED that:

1. authority be given to increase the size of the selected site for the potential provision of a Gypsy and Traveller site in North Chelmsford in accordance with the proposals set out in the [report to the meeting](#);
2. the planning application for the extension of the site be made by a Registered Provider and not Chelmsford City Council;
3. the Cabinet note the intention to seek a variation to the s106 Agreement to allow the drainage works and implementation of the LPG storage vessel to be undertaken by the Registered Provider, if subsequently agreed with the landowner, and to allow the planning application to be submitted by the Registered Provider and not Chelmsford City Council.

CABINET
3 July 2018

AGENDA ITEM 7

Subject	DRAKES FARM PLOT – NORTH EAST CHELMSFORD
Report by	CABINET MEMBER FOR PLANNING AND ECONOMIC DEVELOPMENT
Enquiries contact: Karen Shearing, Ext 6779, karen.shearing@chelmsford.gov.uk	
<p>Purpose</p> <p>The purpose of the report is to seek Cabinet approval to:</p> <ul style="list-style-type: none"> (i) allow for a scenario where the planning application is submitted for the provision of 9 gypsy and traveller pitches together with one pitch for a site manager, who may be a gypsy/traveller, and may be resident on the site, and (ii) allow for the City Council to exercise an option to: <ul style="list-style-type: none"> a) take a commuted sum from the landowner (precise figure to be agreed) to cover the full costs of decontamination and remediation works on site and provision of the services necessary to make the site fit for human habitation and occupation (to be carried out by the Registered Provider). The commuted sum to be paid to the City Council and transferred to the Registered Provider upon the grant of planning permission and expiry of the period for Judicial Review to allow them to undertake the servicing works <u>or</u> b) where the landowner remains responsible for undertaking works to decontaminate and remediate the site, to take a commuted sum (precise figure to be agreed) to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation (to be carried out by the Registered Provider). The decontamination and remediation works to be undertaken following the grant of planning permission and expiry of the period for Judicial Review (by the landowner) and the landowner to subsequently pay the commuted sum to the City Council, to be subsequently transferred to the Registered Provider who will then undertake the servicing works. 	
<p>Options</p> <p>Cabinet can approve or reject the recommendation listed below and note that a variation to the s106 Agreement will be sought.</p>	

Recommendations

The Cabinet authorise:

- (i) allowance for a scenario where the planning application is submitted for the provision of 9 gypsy and traveller pitches together with one pitch for a site manager, who may be a gypsy/traveller, and may be resident on the site, and
- (ii) payment of a commuted sum to the City Council upon the grant of planning permission and expiry of the Judicial Review period, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation (to be carried out by the Registered Provider), and, if necessary the costs of decontamination and remediation works on site.

A variation to the s106 Agreement will be sought to allow a commuted sum to be paid to the City Council, by the landowner, upon the grant of planning permission and expiry of the period for Judicial Review, to be subsequently passed to the Registered Provider, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation, and, if necessary, to cover the full costs of carrying out the decontamination and remediation works on site.

Corporate Implications

Legal:

The City Council served the Drakes Farm Plot Notice on the owners of the land on 13th March 2014 identifying Plot A (see Appendix 3) as the plot for the potential provision of a Gypsy and Traveller site. The s106 Agreement requires the City Council to subsequently make an application for planning permission (to include the additional land – see Appendix 3). Agreement was given by Cabinet on 30th January 2018 and to allow a Registered Provider to make the application and to allow the Registered Provider to implement the drainage works, if subsequently agreed with the landowner. The City Council would then transfer the site to the Registered Provider (CAB32). Agreement is now sought to allow the City Council to exercise an option to allow a commuted sum to be paid to the City Council, by the landowner, upon the grant of planning permission and expiry of the period for Judicial Review, which would subsequently be passed to the Registered Provider, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation, (to be delivered by the Registered Provider) and if necessary, to cover the full costs of carrying out the decontamination and remediation works on site (by the Registered Provider). It should be noted that if Cabinet agree the recommendations within this report then the section 106 Agreement will need to be varied to reflect the changes. The decision to vary a section 106 agreement is not an executive function and thus cannot be taken by Cabinet. A separate report will need to go to the Director of Sustainable Communities, seeking his authorisation, under delegated powers, to vary the Agreement.

Financial:

Upon the grant of planning permission, and following expiry of the period for Judicial Review, the landowner would pay a commuted sum to the City Council to cover the full costs of providing the services necessary to make the site fit for human habitation and

	<p>occupation (to be delivered by the Registered Provider) and, if necessary, to cover the full costs of carrying out the decontamination and remediation works on site (by the Registered Provider).</p> <p>A contribution is then due from Countryside Zest to the sum of £612,000 for the physical construction of the site should planning permission is granted; this figure has been worked out on a detailed basis, and on an average figure from Homes England, of £60,000 per plot.</p>
Personnel:	None
Risk Management:	<p>The refusal of planning permission for provision of the identified plot as a potential Gypsy and Traveller site, would result in the failure to deliver ten additional pitches within the North Chelmsford area, which would contribute towards the identified need for additional sites for Gypsy and Traveller accommodation within the City area. The Council would then be left vulnerable to appeal for the use of other sites within the City area; this has already happened, due to the delay in delivery of NE Chelmsford. The Council receives a site free of charge once permission has been granted, (and decontamination and remediation works have been completed, if agreed), which is then transferred to the Registered Provider with a commuted sum to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation (to be delivered by the Registered Provider), and if necessary, to cover the full costs of carrying out the decontamination and remediation works (by the Registered Provider). The £612,000 from Countryside Zest for physical provision of the plots has been calculated using the best information available at the time. The site will be developed to a budgetary ceiling of £612,000, in accordance with the s106 Agreement.</p>
Equalities and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out? Y/N)	<p>The application will mark the first step in the provision of a specialist residential site for Gypsies and Travellers as identified in the Core Strategy and Development Control Policies Development Plan Document and the North Chelmsford Area Action Plan. The need for such provision for this section of the community in this area is a fundamental tenet of the Area Action Plan which went through a full Examination in Public leading to its adoption. The City Council is open to challenge on other sites, without such provision, and ultimately possible imposition of a site by the Government.</p>
Health and Safety:	<p>The City Council is required to accept the transfer of the site, which may follow works to decontaminate and remediate the site as outlined above. The site would then be transferred to the Registered Provider who would manage the site.</p>
IT:	None.
Other:	None.
Consultees	<p>CCC Planning and Housing Policy Team CCC Legal Services</p>

Policies and Strategies

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

North Chelmsford Area Action Plan Adopted July 2011

Core Strategy and Development Control Policies Development Plan Document Adopted 20th February 2008.

Core Strategy and Development Control Policies Focused Review Development Plan Document Adopted December 2013

Chelmsford Draft Local Plan Preferred Options Consultation Document March 2017

Corporate Plan Priorities

The report relates to the following priorities in the Corporate Plan

Attracting investment and delivering infrastructure	√
Facilitating suitable housing for local needs	√
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. Introduction

- 1.1 Outline planning permission was granted on 30th October 2012, 10/01976/OUT refers, for a residential-led development comprising a minimum of 650 and a maximum of 750 dwellings, open space and a community hub, provision of the northern section of the Radial Distributor Road and junction improvement works to Essex Regiment Way on land to the north, south and east of Belsteads Farm Lane, principally occupied by Channels Golf Course (Channels).
- 1.2 The s106 Agreement for the development secures the transfer of one of two parcels of land within the ownership of the applicant at Drakes Lane for potential provision as a Gypsy and Traveller site. The site is intended to accommodate ten pitches contributing towards the identified need for additional sites for Gypsy and Traveller accommodation within the City area.
- 1.3 The s106 Agreement for development by Countryside Zest at Beaulieu, planning application 09/01314/EIA refers, secures a capped financial contribution of £612,000 to facilitate physical provision of the Gypsy and Traveller site.
- 1.4 A report was presented to Cabinet on 4th March 2014 (see Appendix 1) which sought approval to the selection of a site for potential provision of a Gypsy and Traveller site in North Chelmsford, as required by the s106 Agreement for the residential-led development on Channels Golf Course. Cabinet authorised the City Council to serve notice on the owner of the Drakes Farm Plots to transfer Plot A (see Appendix 3) to the authority should planning permission subsequently be granted for its provision as a Gypsy and Traveller site.
- 1.5 The process does not remove the need for planning permission.
- 1.6 A further report was presented to Cabinet on 30th January 2018 (see Appendix 2), which sought authority to (i) increase the size of the selected site to enable liquid petroleum gas to be stored on site (not now required), the installation of drainage and a play area and to (ii) allow the planning application for the extended site to be made by a Registered Provider, and not Chelmsford City Council.

2. Preparation of the Planning Application

Site Area

- 2.1 Plot A (see Appendix 2), the selected site, is situated at the junction of Drakes Lane and Boreham Road and currently comprises open, undeveloped grassland with some trees and hedges along the site boundaries. The plot is bounded to the south by a small area of woodland and a former sand and gravel quarry which consists of open land, ponds and lakes. The Drakes Lane Industrial Estate, which is an allocated Employment Area in the North Chelmsford Area Action Plan, is located approximately 100m to the west of the site.
- 2.2 The red line plan appended to the Channels s106 Agreement, which identified the Drakes Farm Plot A married with that presented to Cabinet on 4th March 2014.
- 2.3 Preparation of the planning application is progressing and it is the intention that this is submitted by a Registered Provider. The provider has been developing a scheme layout, utilising part of the additional land (see Appendix 4), in discussion with officers of the City Council and other external consultees. The landowner, Registered Provider and

Chelmsford City Council have accepted that part of the additional land is required to facilitate an acceptable drainage solution.

Scope of the Planning Application

- 2.4 The previous Cabinet Reports refer to the provision of a ten pitch gypsy and traveller site. A Registered Provider expressed an interest in the site, and is currently developing a scheme. The intention is that the Registered Provider will submit the planning application in Summer 2018. The approach represents the most practical and appropriate means of managing the site in the future.
- 2.5 Significant progress has been made on the preparation of a scheme layout, which accords with best practice advice. The Registered Provider is developing a scheme, which results in only part of the additional land, as agreed by Cabinet (CB32), being used, solely to facilitate an acceptable drainage solution. The pitches at this stage are intended to be accommodated solely within the area identified as Plot A on the plan at Appendix 3. The sewage treatment plant (drainage) would be accommodated on part of the additional land (Appendix 4).
- 2.6 During scheme development, it has become clear there is a need for provision to be made for a site manager to attend the site; at this stage it is not known whether the manager would be part of the gypsy/traveller community and, if they would need to be resident on the site. On that basis, flexibility is sought to allow the Registered Provider to submit a planning application which provides for 9 pitches plus 1 pitch for a site manager who may, or may not, be resident on the site.

Commuted Sum

- 2.7 The s106 Agreement requires the owners to undertake the required remediation and decontamination works as summarised in the previous Cabinet reports, to provide the services required to make the site fit for human habitation and occupation and to obtain, and provide, warranties for the works carried out, upon transfer of the site to the City Council.
- 2.8 The proposed approach to drainage was set out in the previous Cabinet Report (see Appendix 2). The Registered Provider, in that respect, has already made clear that they would like to install the drainage system themselves, based on their experience with other sites.
- 2.9 During scheme development, the landowner has offered the option of providing a commuted sum to cover the full costs of servicing works to make the site, fit for human habitation and occupation rather than carry out those works themselves. The commuted sum may include the costs of decontamination and remediation works, or in the scenario where such works are carried out by the landowner, the commuted sum would cover only the full costs of servicing works. The precise sum will be the subject of detailed negotiation, and the extent of decontamination and remediation works required, the subject of discussion between the landowner and the City Council. Agreement is sought to allow either option to be exercised. The Registered Provider is content for a commuted sum to be paid to them, which they would then utilise to undertake the servicing works, subject to agreement upon the precise figure.
- 2.10 The commuted sum would only be payable to the City Council upon the grant of planning permission, and expiry of the Judicial Review period, and would be subsequently passed to the Registered Provider.

- 2.11 The Cabinet is asked to note that a deed of variation to the s106 Agreement will be sought, as the wording of Schedule 14 Clause would need to be amended accordingly.

3. Conclusion

- 3.1 The Cabinet is asked to authorise (i) a scenario where the planning application is submitted for the provision of 9 gypsy and traveller pitches together with one pitch for a site manager, who may be a gypsy/traveller, and may be resident on the site and (ii) payment of a commuted sum to the City Council, upon the grant of planning permission, and expiry of the Judicial Review period, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation (to be carried out by the Registered Provider), and, if necessary the costs of decontamination and remediation works on site.
- 3.2 Agreement to the requested changes will allow the Registered Provider to continue with the preparation of their planning application in a manner which will ensure acceptable delivery of the scheme, in accordance with best practice, and to exercise the option to undertake all servicing works themselves, subject to agreement over the precise commuted sum.
- 3.3 The planning application is intended to be submitted in Summer 2018 and will be considered by the Planning Committee.

List of Appendices

Appendix 1 – Cabinet Report 4th March 2014 and Minutes
Appendix 2 – Cabinet Report 30th January 2018 and Minutes
Appendix 3 – Drakes Farm Plot A
Appendix 4 – Drakes Farm Plot A – Increased Site Area

Background Papers

Nil.

5. the Director of Financial Services, after consultation with the Cabinet Member for Strategic Housing, be authorised to undertake budget transfers in 2018/19 to align Housing budgets to the new processes in that service.

7.23pm to 7.30pm

7. Drakes Farm Plot, North-East Chelmsford (Planning and Economic Development)

Declarations of Interest: None

Summary: The Cabinet was updated on the latest discussions and arrangements for the scheme to provide 10 gypsy and traveller pitches on land at Drakes Farm. The arrangements, which were described in [the report](#) to the meeting, related to the planning application for the development and the means by which the services necessary to make the site fit for human habitation and occupation were provided and decontamination and remediation works were carried out.

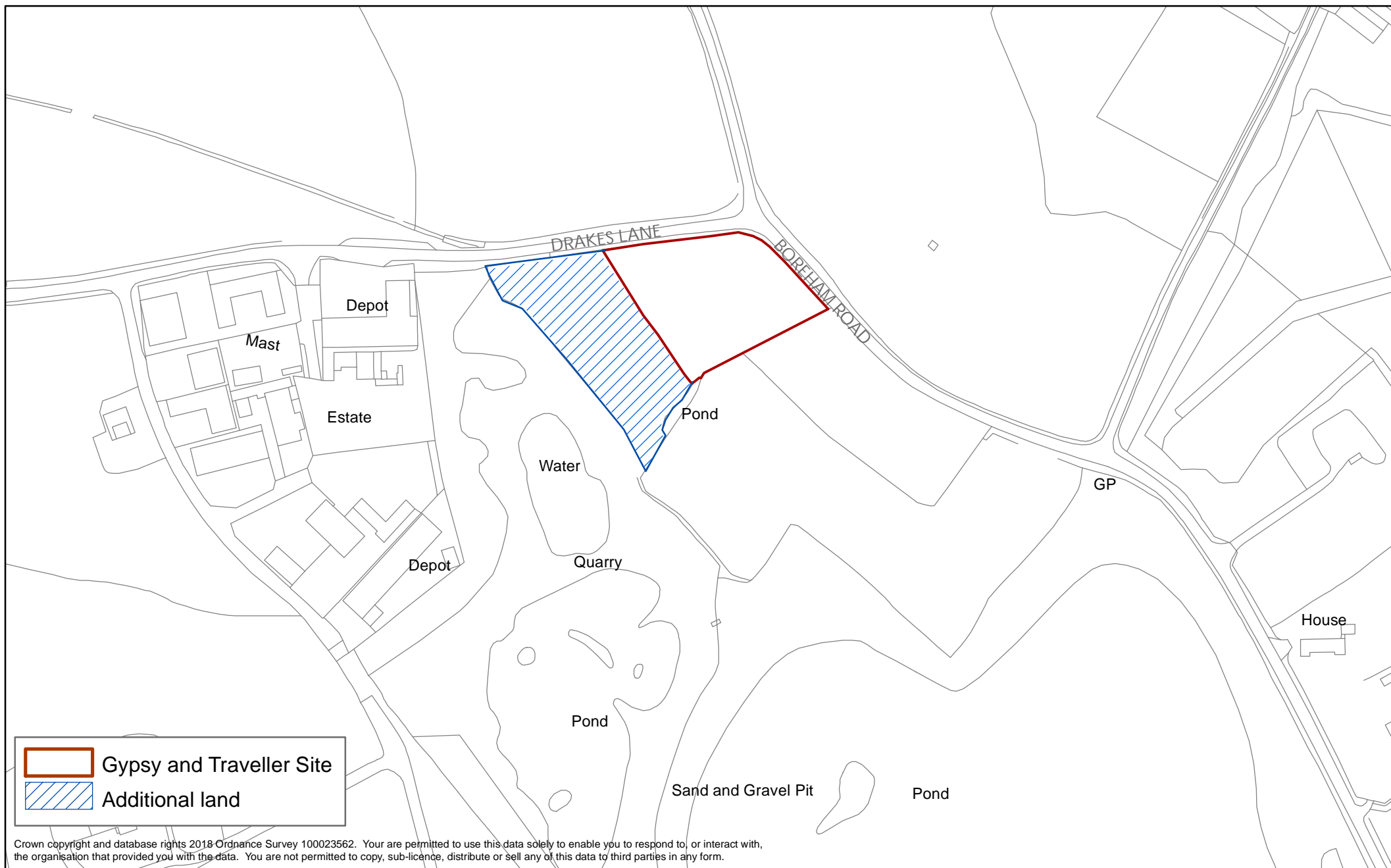
Options: Approve or not the proposed arrangements described in the report to the meeting.

Chosen Option and Reasons: The recommended action would give the necessary authorisations to enable the provision of the gypsy/traveller pitches.

RESOLVED that:

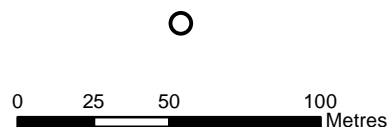
1. the following be authorised:
 - (i) allowance for a scenario where the planning application for the development at Drakes Farm is submitted for the provision of nine gypsy and traveller pitches together with one pitch for a site manager, who may be a gypsy/traveller, and may be resident on the site, and
 - (ii) payment of a commuted sum to the City Council upon the grant of planning permission and expiry of the Judicial Review period, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation (to be carried out by the Registered Provider), and, if necessary the costs of decontamination and remediation works on site; and
2. it be noted that a variation to the s106 Agreement for the Channels development will be sought to allow a commuted sum to be paid to the City Council, by the landowner, upon the grant of planning permission and expiry of the period for Judicial Review, to be subsequently passed to the Registered Provider, to cover the full costs of providing the services necessary to make the site fit for human habitation and occupation, and, if necessary, to cover the full costs of carrying out the decontamination and remediation works on site.

7.30pm to 7.33pm



Gypsy and Traveller Site Drakes Lane, Little Waltham

Page 218 of 218



Planning and Housing Policy
Directorate for Sustainable Communities
Chelmsford City Council
Civic Centre, Duke Street
Chelmsford, CM1 1JE

