



## Chelmsford City Council Cabinet

28<sup>th</sup> January 2025

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### Budget Report 2025/26

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Report by:  
Cabinet Member for Finance

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### Purpose

The primary purpose is to make recommendations to Council for the 2025/26 Revenue and Capital Budgets, including the level of 2025/26 Council Tax for the City.

### Options

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

### Preferred option and reasons

Recommend the report to Council for consideration so meeting statutory obligations

### Recommendations

- 1 That Cabinet recommends to Council the contents of Appendix 1, the budget report, being:
  - i. The new Revenue and Capital investments in Council Services shown in **Section 5**
  - ii. The delegations to undertake the new capital schemes identified in **Section 5**, Tables 12a and 12b
  - iii. The Revenue Budgets in **Section 10** and Capital Budgets in **Section 11**
  - iv. An increase in the average Band D level of Council Tax for the City Council to £228.07 (2.96%), the maximum allowed before a referendum, in **Section 9**

- v. The movement in reserves shown in **Section 7**
  - vi. The Budget forecast in **Section 7** and in **Section 8** the s151 officer's review of the budget, which Members are required to note.
  - vii. Special expenses, Parish and Tier Councils' precepts as identified in **Section 9**, Table 22 (These will not be available until Full Council).
  - viii. Delegation to the Chief Executive to agree, after consultation with the Leader of the Council, the pay award for 2025/26 within the normal financial delegations.
- 2 That Cabinet approves:
- i. A delegation to the S151 Officer to update the budget report for Parish and Tier precepts, changes to final Government settlement, and Business Rate Retention income following completion of NNDR1 statutory return to Government, after consultation with the Cabinet Member for Finance.
  - ii. A delegation to S151 officer to prepare a legal Budget resolution for submission to Council for consideration after consultation with the Cabinet Member for Finance.
  - iii. The changes to fees and charges determined by Full Council on 18<sup>th</sup> December 2024 as reflected in Section 4.

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## 1. Background

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

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

This report contains such proposals for a budget for 2025/26. Full details of the budget are in Appendix 1.

## 2. Executive Summary

2.1. The budget report in Appendix 1 provides the funding for core Council services, which supports the aims of Our Chelmsford, Our Plan.

2.2. Government Funding in **Section 2**. The report is based on the Government's provisional funding settlement. Should the settlement be amended after Cabinet the S151 Officer in consultation with the cabinet Member for Finance is delegated to amend the papers for Council. The government has not yet announced allocations of funding to compensate Council for high National Insurance contributions, so changes to funding figures are expected.

2.3. The savings and income changes are shown in **Section 4**.

2.4. New Capital Service Investment as shown in **Section 5**.

2.5. Council Tax proposal. The Government rules allow Chelmsford City Council to raise Council tax by up to 3% or £5.00, whichever is greater, without triggering a local referendum. It is proposed to increase the City Council's Council Tax by

2.96% or just under 13 pence per week (£6.55 per year) in 2025/26, which reflects the long-standing practice of increasing Council Tax in line with the assumptions the Government makes when allocating funding to local government.

2.6. A review of reserves is set out in **Section 7**, with reference to the S151 officer's recommendations in **section 8**.

2.7. The report does not yet include special expenses, the precepts from Parish/Tier councils, Essex Police, Fire and Crime Commissioner and Essex County Council. As the precepts will not be available until after Cabinet.

### 3. Conclusion

3.1. Cabinet is asked to review the Budget Report and agree to the recommendations.

3.2. The financial outlook continues to deteriorate as cost pressures mount, efficiencies become more difficult to achieve and income including Government funding and Council tax increases do not match the increased costs faced by the Council.

3.3. The 2025/26 budget is legally balanced. However, reserve use is still necessary to offset temporary loss of rent income due to vacancies in Council owned properties.

#### List of appendices:

Appendix 1 – Budget Report 2025/26

#### Background papers:

Nil

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### Corporate Implications

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

Financial: As detailed in the report

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

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

Personnel:

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

Risk Management:

A review of the risks is identified

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

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**Consultees:**

Management team, Section 151 Officer and Monitoring officer

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**Relevant Policies and Strategies:**

Capital, Investment and Treasury Management Strategies 2025/26

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**Budget report 2025/26**

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## Section 1 Introduction to the Council's 2025/26 Budget

### **Background**

In each succeeding year for well over a decade, it has become more difficult to balance the budget whilst avoiding cutting services or using the Council's reserves in an unsustainable way. It is not just Chelmsford City Council that has been experiencing these financial difficulties; most councils have been affected. Until as recently as last October, the Council was hopeful that the Government would appreciate the dire finances of councils up and down the country and would increase the funding support it provides or find alternative ways to enable councils to make their own finances sustainable.

So it is disappointing that these hopes were dashed. With the trend of ever more difficult budgets continuing for another year, Council needed to raise significant additional revenues from fees and charges and increases were set out in a report approved by Council in December, which also introduced the new charge for collecting garden waste.

This action means that the resources forecast to be available in 2025/26 are sufficient to balance the budget for another year.

For years beyond 2025-26, there are significant uncertainties, though. Local Government Reorganisation (LGR) for Essex Councils seems a certainty, although nothing has been agreed at the time of drafting this report. The impact on the Council's finances may be a moot point if the Council no longer exists, but Chelmsford's residents will expect the services they rely on – their bin collections, parks, leisure centres and so on – to continue uninterrupted, whoever is delivering them. LGR also creates financial risks in 2025/26 and in the period leading up to any reorganisation. For example, a key issue will be a need to re-examine reserves to identify funding for the one-off costs of any organisation; indicatively, this could be several million pounds. Decisions on these matters will be dealt with after the budget when there is more clarity.

Looking wider than LGR, the challenges the Council faces remain those reported in previous years, being:

#### **1. Insufficient Government support**

- The Government has provided, in overall terms, extra cash funding for 2025/26. The extra funding in 2025/26 should be seen in the context of:
  - Chelmsford's revenue core funding from Government is £11m per year less now than it was in 2010 compared to if it had kept up with inflation.
  - National Insurance contribution increases made in the Government's October budget will cost the Council nearly £0.9m a year but government compensation to the City Council is thought to be less than £0.3m a year despite the Government committing to cover the cost. The Government has delayed the announcement of funding allocations for NI until the final local government settlement is announced, possibly, in February.
  - The government does not fund the cost to the Council of the increase in National Living Wage, unlike many other parts of Government. Indicatively this has increased the Council pay bill by £0.5m in both 2023/24 and 2024/25, and is expected to be more in 2025/26.

- The budgeted cost to the Council of providing temporary housing for people who would otherwise be homeless is £5.9m, with only £1.7m grant from the Government.
  - The overall outlook for Government funding beyond 2025/26 is expected to get significantly worse for the Council. The Government has committed to a full review of how councils are funded. The principles that the Government intends to use to develop the new funding arrangements are unfavourable to Chelmsford City Council. The changes are likely to reduce the amount the Council receives from government grants and business rate retention. For planning purposes, though far from certain, a loss of £2.5m a year in funding by 2028/29 should be assumed.
2. **Historically high inflation impacts on the Council's costs**
- CPI Inflation was 2.6% in November 2024, having fallen from nearly 10% two years earlier. However, the actual inflation the Council experiences is higher than this due to:
    - Increases in software costs when licencing agreements have been renewed
    - Cost increases on vehicle parts and maintenance appear to be rising at nearer 10%
    - The building repairs & maintenance budget has allowed for 5% inflation
    - National Living Wage: previous increases of around 10% and for 2025/26 6.73%
3. **Significantly increased demand and higher costs of Homeless services**
- The number of households the Council is required to house in temporary accommodation is expected to continue to rise. In 2021, the number of households in temporary accommodation was 243, and this rose to 459 at the end of 2024. It is expected to rise to 576 by the end of 2026.
  - The net cost of each new case is around £13k.
  - The supply of social housing is expected to increase above trend in 2028/29 and 2029/30 due to developments planned by CHP and has been factored into planning. In those years, the increase in the number of temporary accommodation places will not fall but should plateau, but at 700 or so households. The development of Waterside should bring new housing in a similar time frame but is not included in financial planning yet.
  - Overall, the number of households in temporary accommodation funded by the Council is still expected to have risen from 243 in 2020/21 to 706 in 2029/30.
4. **Capital Funding**
- Capital resources are scarcer due to economic conditions. Community Infrastructure Levy (CIL) and capital receipts are lower as a slower economy is impacting both.
  - The budget and forecasts include the impact of financing Chelmer Waterside (loss of interest on CIL spent) but cannot yet include the beneficial income or capital receipts on the long-term development. The budget forecasts are likely to improve as the scheme moves forward.
  - Condition surveys of the Council's operational assets have identified the need to replace plant and equipment and the costs are included in the budget. This has added extra financing costs to the revenue budget.
  - There will be a need to consider the business case for investing in the Council cemetery and crematorium, without which £2.7m of income is at risk in the longer term.

- The delivery of the Local Plan and Our Chelmsford, Our Plan, will require investment that is not yet factored into the financial planning. The report identifies the key unfunded priorities.

## **Summary of 2025/26 Budget and Future Outlook**

### **Update on the 2024/25 Financial Position**

Reviewing the current year's expenditure and income is critical to understanding the likely level of reserves and trends in 2025/26. Financial monitoring for the current year **2024/25** was undertaken for Cabinet members in November 2024 and in summary:

- Ongoing additional cost: A local pay award, being a minimum of £1,290 or 2.5% dependent on employee grade. This results in an extra, above budget, ongoing cost of £0.4m. This additional cost can be attributed to the National Living Wage increasing by 9.79% in 2024.
- One-off income: Business Rate Retention is expected to be £1.25m higher than the £2.25m allowed for in the budget. This should be seen as one-off and there is a risk that the funding may not occur if appeals against valuations by taxpayers are successful. £0.75m will be used during 2024/25 to support the revenue budget/general balance. The remaining £0.5m is assumed to go into the Business Rate Reserve.
- One-off income: £0.5m of additional grants (mostly housing related).
- One-off income: £0.8m of higher interest earnings. This reflects less capital spend than expected in 2023/24 and 2024/25, plus interest rates have been more favourable to investing.
- Ongoing additional cost: £0.4m higher costs on housing benefits because of higher payments for supported housing that do not attract full government funding.

The projected year-end position for 2024/25 suggests that the General fund balance (unearmarked reserve) will be £1.4m better than expected due to the one-off income gains. If payments for timing differences for business rates are excluded, the Council is now expected to use around £2.9m of reserves (£1.1m for rents and the majority of the balance on capital funding) in 2024/25, which is unsustainable in the medium-term. Section 7 identifies the forecast reserves at the end of March 2025.

### **2025/26 Budget and forecast**

The main financial risks and robustness of the 2025/26 budget estimates are discussed in section 8, the report by the s151 officer.

The overall 2025/26 budget is best explained by reference to the changes compared to the approved 2024/25 budget. The table on the next page shows cost increases or loss of income as positive figures and negative figures are income gains or reduced costs. It should be noted that, when referencing reserves, positive figures are less use of reserves and negative figures are increased use of reserves.



<b>Table 1 Budget Gap Budget 2025/26 and Forecast (change from preceding year)</b>						
	<b>See Report Section</b>	<b>Budget 2025/26</b>	<b>New Forecast 2026/27</b>	<b>New Forecast 2027/28</b>	<b>New Forecast 2028/29</b>	<b>New Forecast 2029/30</b>
<b>Summary Variances</b>		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Pay & Cost - inflation & pressures	Sec 3, pg19	2,947	1,720	1,770	1,830	1,880
Housing Temporary Accommodation, Benefit (before additional grant)	Sec 3,pg18	-223	650	830	540	260
Variations that are one off	Sec3, pg20	0	734	-229	-305	0
<b>Net Income (non-price - growth/+loss)</b>	Sec 4 pg21	-522	-1,130	-120	0	0
Growth	Sec 5, pg23	332	400	370	370	370
Capital Financing (including contributions to capital)	Sec6, pg30	1,427	788	403	989	355
<b>A) Budget Gap before additional funding</b>		<b>3,961</b>	<b>3,162</b>	<b>3,024</b>	<b>3,424</b>	<b>2,865</b>
<b>Changes in Reserve Use</b>						
Reserve changes - Additional use/ + less use	Sec 7, pg36	1,387	622	1,383	732	-330
<b>B) Budget Gap remaining</b>		<b>5,348</b>	<b>3,784</b>	<b>4,407</b>	<b>4,156</b>	<b>2,535</b>
<b>Change in Government Funding</b>	Sec 2, pg16	-1,875	930	910	910	0
<b>C) Budget Gap remaining</b>		<b>3,473</b>	<b>4,714</b>	<b>5,317</b>	<b>5,066</b>	<b>2,535</b>
<b>Funding Generated By Council to Meet Gap</b>						
Net Savings	Sec4, pg22	-80	-150	-50	0	0
Income - New and increased Fees and Charges	Sec 4,pg21	-3,024	-1,009	-921	-949	-978
Council tax increase and growth	Sec 9, pg47	-592	-598	-618	-638	-659
Council Tax deficit variations	Sec 9, pg48	223	-378	0	0	0
Funding Generated By Council		-3,473	-2,135	-1,589	-1,587	-1,637
<b>D) Annualised Budget Gap forecast</b>		<b>0</b>	<b>2,579</b>	<b>3,728</b>	<b>3,479</b>	<b>898</b>
<b>E) Net Gap, If the prior year is not balanced</b>		<b>0</b>	<b>2,579</b>	<b>6,307</b>	<b>9,786</b>	<b>10,684</b>

#### Commentary on Table 1

The table reference the relevant section of the report which provides background or a detailed explanation.

**Row A:** These figures are additional net budget amounts required to all the cost pressures needed to maintain existing service plans. It does allow for growth in income volumes before any price increases are factored in. However, it does not allow for changes in reserve use.

**Row B:** Reserves are used to fund expenditure. Also, contributions can be made to them to manage future risks. This row shows the budget gap after change in reserve use, which is down by £1.387m in 2025/26, but there is nearly £2.9m of reserves planned to be used in the 2025/26 budget. The majority is to fund the loss of commercial rent income £1.1m, capital expenditure £0.8m, Local Plan £0.25m, and £0.3m for potential supplementary estimates. The reduced use in 2025/26 can be attributed to no longer using £1.1m of the general fund balance that was expected to be used to make good the unresolved budget gap in 2024/25 budget.

**Row C:** Shows a £3.5m budget gap remaining after additional Government funding, which is expected to be reduced by £2.75m between 2026/27 and 2028/29.

The forecast for later years is to be used in financial planning, and it is key to note that the Government has not yet provided any new funding allocations for 2026/27. The assumptions are based on the policy that the government is making on Council funding and are detailed in section 2. If no loss of Government funding is assumed, then the forecast would be:

**Table 1a**

Deficit With out Government Funding Changes	New	New	New	New
	Forecast	Forecast	Forecast	Forecast
	2026/27	2027/28	2028/29	2029/30
	£000s	£000s	£000s	£000s
Annualised Budget Gap forecast	2,579	3,728	3,479	898
Remove Government funding loss	-930	-910	-910	0
<b>Annualised Gap</b>	<b>1,649</b>	<b>2,818</b>	<b>2,569</b>	<b>898</b>
<b>Cumulative gap</b>	<b>1,649</b>	<b>4,467</b>	<b>7,036</b>	<b>7,934</b>

**Row D:** For 2025/26, this shows a balanced budget as the Funding measures set out at December Council and in this budget generate £3.5m. This includes net savings of £0.08m, £3m of new charges and increased charges, and the impact of Council tax increases.

For the years beyond 2025/26, Row D represents the annual budget shortfalls forecast.

**Row E:** This shows the cumulative deficit if no solutions to the shortfalls are found. For example, if the 2026/27 gap is funded from reserves only, then by 2027/28 we need £6.307m of reserves to fund the overall shortfall for that year.

It is important to note that nearly all the Council’s reserves would be used up by the end of 2028/29 if no action were taken to balance the budget. The General balance would be effectively used up before 2028/29.

**Actions Taken to balance 2025/26**

The actions recommended in this report to balance the 2025/26 budget and start to address the forecast deficits for later years are:

- Use of reserves to make good income losses from commercial properties; 1 Springfield Lyons and Eagle House £1.1m (£1.2m was used in 2024/25). In 2026/27, a reassessment of the ongoing income from commercial property should be made and reserve support should cease by 2028/29.
- A review of the Capital programme took place. New schemes were identified in Section 4 and a revised capital programme is shown in section 11.
- Section 4 identifies the income expected to be generated from the new and increased fees and charges in 2025/26. The largest changes were approved at December Council.
- Savings identified in Section 4 should be approved and further savings sought in 2025/26.
- Council tax increase equivalent to £6.55 on a Band D property, the maximum allowed by Government after allowing for rounding.
- The budget expenditure and income set out in the report for revenue should be approved.
- The capital programme should be approved.
- The Government is consulting on the funding allocations to local authorities and the consultation does not usually end until sometime in February. Any changes in the funding will be managed by amendments to reserves. Any amendments, if necessary, will be carried out under a delegation to s151 officer and the Cabinet Member for Finance.

## **Medium and Long-term Financial Strategy**

The central financial forecast for the period 2026/27 to 2029/30 is a cumulative forecast deficit of £10.7m. Fundamentally, the Council's income does not grow as rapidly as its costs rise. A 3% annual increase in fees and charges and Council Tax does not fund an equivalent 3% increase in costs. This is not surprising as not all services charge fees and, for most of those that do, charges do not fully recover costs. Government funding does not increase to cover the funding gap. Furthermore, the Council's budget must increase service expenditure to meet social need such as for temporary accommodation. The overall effect is that forecast budget gaps are unavoidable.

The impact of Local Government Reorganisation and new funding allocations creates uncertainty. Financial planning and strategy must be flexible to deal with a range of possible outcomes.

The key outcome sought from the financial planning process is protection of service provision to the public. That will remain the priority. To that end:

- Financial forecasts allow for an average of 3% increases in fees and charges. However, reviews of fees and charges in future years will be expected to seek additional income significantly above the 3% average.
- The budget planning should assume Council Tax increases in line with the Government limit, which is currently 3%. This is particularly important as Government funding allocations currently assume Council Tax will increase annually.
- Local Government Reorganisation: Identifying its impact on the Council's finances including the level of one-off costs and how these can be funded. This will be undertaken as further information comes to light and reported formally where necessary.
- Financial Management will be reviewed during 2025 in the light of the formal feedback from the Peer review. Changes to financial reporting will be consulted on and this is discussed in Section 8.
- Cabinet will receive a Financial Review report in October. This will include updated financial projections for the current and future years.
- Continuing to lobby and engage with Government in 2025 to obtain the best possible outcome from the Government's funding review.
- Reserves levels should be reviewed but will only be used to:
  - Meet temporary income shortfalls
  - Fund one-off expenditure
  - Smooth in changes in the financial position until planned savings are delivered.
- The Reserves include an earmarked reserve for Business rate retention. The budget estimates some £4.5m will be available in that reserve. This should be used to specifically help smooth in changes arising from the Government review and reset of Business Rates if, as expected, they are large. This is only a temporary measure.
- Capital proceeds from major disposals should be used to reduce costs, such as, paying down debt or via savings on Homeless services through the provision of extra temporary or long-term accommodation.
- The s151 officer recommends that the Council should aim to identify in the first half of 2025, for internal discussion, potential measures to balance at least the first two years of the forecast deficit. This will include several caveats unless the Government provide greater detail on their funding formula and LGR. This work will assist Cabinet members with developing clarity over the potential choices the organisation faces if the forecasts are broadly correct and enable the development of a financial plan, which would be subject of a formal report.
- Budget reductions will be identified during 2025 for inclusion in the financial planning.

## **Appendix 1 Report contents.**

This Report is split into sections to explain how the budget for 2025/26 was balanced, the risks, and the outlook. The report also updates the capital programme.

**Section 2** identifies the main Government funding sources for 2025/26.

**Section 3:** Inflation and Financial Pressures. This provides more detail on the budget variances.

**Section 4:** Increased Charges and Budget Reductions. This provides an overview of some of the actions necessary to fund the cost pressures and inflation.

**Section 5:** Identifies the new investments in services that are funded by capital resources in the 2025/26 budget proposals.

**Sections 6 to 8:** Identifies the medium- to long-term financial planning issues that the Council needs to consider, including reserves.

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

The Act requires the Council to have regard to the report in making its decisions. The report is contained in **Section 8**.

**Section 9:** Identifies the detail of the Council Tax proposals and the associated legal matters, including meeting the legal requirement to declare a Business Rate Surplus or Deficit. The budget includes proposals to increase an average band D Council Tax by £6.55 per year after allowing for rounding of Council Tax bills into ninths.

**Sections 10 & 11** contain the budgets for revenue services and the capital programme.

## Section 2 Government Funding

### **Funding Settlement / Core Funding (spending power)**

The Council was provided with a provisional Government funding settlement for 2025/26 in the week before Christmas.

This will be the last settlement by Government using the current methods of allocating funding. There will be a three-year settlement announcement during the calendar year 2025 with a complete review of how funding is to be shared amongst Councils.

The funding announced for 2025/26 lacks some key information on compensation for the increased Employer National Insurance contributions and was, as usual, too late to enable effective financial planning. The settlement is provisional and subject to consultation. Officers will produce a response outlining that the funding is insufficient whilst also making the case for appropriate future allocations.

To provide context: since 2010, the Council's core funding settlement has, in real terms, fallen by around £11m. On a second measure, since 2015-16, the core settlement grants have only increased by around £100k in cash terms.

At the end of this section, there is an indication of what the 2026/27 three-year settlement could look like for Chelmsford. It will probably mean a further loss of funding in cash and real terms although the extent of this is not yet known.

The 2025/26 core settlement is like those of the last ten years in that the overall outcome is determined by the Government's measure of local authority funding, 'Core Spending Power' (CSP). The definition of CSP is best shown via a table setting out the components. Effectively, it takes the sum of the main funding streams and adds in assumed Council tax income. The result is intended to reflect the overall resources available to fund the Council. Increases in CSP should, according to the Government, capture a more rounded picture of the financial position of an authority.

Table 2 shows total CSP, and the yellow section shows the cash grants from Government within CSP.

The Government's figures show the change in CSP grants without Council tax income, and this results in a loss of £660,000 (8.14%) of grant funding compared to 2024/25.

The Government will state correctly that CSP has been at least protected so no Council will suffer a reduction. This is because the extra income from Council Tax increases and growth in the number of properties are included in the Government's calculations and therefore prevent CSP from falling. Nationally, grant funding overall to local authorities has increased, so for Chelmsford to lose, logically, some grant funding is being taken from some authorities and allocated to others.

Table 2

Funding Streams (Unring fenced)	Core Spending Power		Grant funding excluding Council tax		
	2024/25	2025/26 (provisional)	2024/25 Core Grants	2025/26 Core Grants	Additional/- reduced grants
	£ms	£ms	£ms	£ms	£ms
Business Rates - Settlement funding assessment	3.89	3.96	3.89	3.96	0.07
Compensation for under indexing the business rates	0.69	0.72	0.69	0.72	0.04
Council Tax Requirement excluding parish precepts	15.85	16.51			
New Homes Bonus	1.59	1.05	1.59	1.05	-0.54
Service grant	0.02	0.00	0.02	0.00	-0.02
Funding Guarantee grant	1.83	0.00	1.83	0.00	-1.83
Grants rolled in	0.06	0.04	0.06	0.04	-0.02
Funding Floor		1.65	0.00	1.65	1.65
Recovery grant		0.00	0.00	0.00	0.00
<b>Core spending Power</b>	<b>23.93</b>	<b>23.93</b>	<b>8.08</b>	<b>7.42</b>	<b>-0.66</b>
% Increase in Core spending power		0.00%	<b>Loss of grants</b>		<b>-8.14%</b>

The variation in cash funding after allowing for rolled in grants (which are currently being shown in the service budget) is £0.64m, which is slightly different to government’s figure of £0.66m shown above.

A short description of each element of the funding is below:

- A. Business rates – Settlement Funding Assessment – The amount is determined by a needs assessment which includes estimates of local resources such as council tax, population, and other local data. It includes the Revenue Support Grant (RSG) which was a key funding stream prior to 2010. It is fully funded from Business Rates pooled centrally by the Government. The Council collects some £80m of business rates.
- B. Compensation for under-indexing the business rate multiplier (Section 31 Grants) – The complexity of the Business Rates Retention Scheme has led to grants being paid to local authorities for initiatives by Government, such as freezing business rates rather than increasing them in line with inflation.
- C. Council Tax Requirement excluding parish and tier precepts – This is not a government grant, but instead the amount of Council Tax the Government assumes the city will generate allowing for a 3% increase in Council tax and their estimate of the 2025/26 Council Tax base. It should be noted that this is based on the Government’s estimate rather than the Council’s.
- D. New Homes Bonus – This is a grant paid by central government to local authorities. It aims to reward councils for each additional home added to the council tax base, including newly built properties and conversions as well as long-term empty properties brought back into use after allowing for certain deductions such as demolitions. An additional sum is paid for each new affordable home built.
- E. Services Grant, Funding Guarantee, and Funding floor – They have been provided to ensure that no local authorities have a reduction in CSP (including increases in Council Tax income).
- F. Rolled in grants – some grants previously paid but were outside of CSP calculations are now included. This usually results in reductions in funding in later years when CSP is cut/frozen.

- G. Recovery grant. The Government has provided an additional £1.3 billion of funding for local authorities for 2025/26. Some £700m goes to social care leaving some £600m extra to be allocated based on deprivation. The City Council did not have a high enough level of deprivation to trigger any increase in funding.

### **Other Key Funding Outside Core Spending Power**

There are a number of other key funding streams from Government that are outside CSP and the position for those is explained below.

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

Under this scheme, the Government allows local authorities to share some of the growth in Business rate income in their area. Gains and losses can occur in year but do not feed fully into the Council's finances for up to two years. The actual estimate for business rate income for the coming year can only be made in late January due to the scheme rules. So, the January Cabinet report and budget must be based on assumptions for business rate retention.

The budget includes £2.25m of retained income being used to support ongoing service expenditure, which is unchanged from 2024/25. Any estimated or actual changes to this income beyond the £2.25m are managed through a business rate retention reserve.

#### **Homelessness Prevention Grant**

The grant is ringfenced. 49% must be spent on homeless prevention and staffing costs of Housing services. The grant for 2025/26 is £1.715m, which is an increase of £0.493m. The Council can meet the terms of the grant. For context, the Council's 2025/26 Homeless Budget is a net cost of £5.2m. As discussed elsewhere in the report, funding has increased nowhere near enough to keep up with the cost of the housing crisis.

#### **Extended Producer Responsibilities (EPR)**

This a new funding stream for 2025/26. The Government has now made a levy on packaging companies and will pass the funding over to local authorities. This should discourage inefficient packaging and enable local authorities to increase recycling. The funding to the City Council for the 2025/26 is guaranteed at £1.744m. There are no plans to increase spend on waste and recycling given that the Council already meets the higher standards set by Government. The funding therefore is additional.

#### **National Insurance Employee Contributions Government Compensation**

The Government said it would compensate Councils for the higher National Insurance Contributions. The higher contributions, £0.87m per year, result from a decision in the Government's budget in October. The Council's financial planning had been based on the Government's statement i.e. grant income would equal the £0.87m cost. However, at the same time as announcing the settlement the week before Christmas, the Government published the method it would use to allocate the funding but has not provided the £s value of the funding allocations. Using the governments formula, the city can expect at best to get an additional £0.28m of extra funding, compared to the £0.87m cost. The Council has a shortfall of £0.59m. This shortfall has been met by reviewing a number of income and expenditure budget assumptions, which creates an increase in risk that the affected budgets will not be achievable.

### **Overall Cash funding 2025/26**

Overall, the Government's funding will increase in 2025/26, as summarised below:

Table 3

<b>Government Funding changes</b>	<b>Change 2025/26 £000s</b>
Government Core Funding Assumption	644
Homeless Prevention grant	-493
EPR	-1,744
National insurance estimated grant	-282
<b>Total Increase</b>	<b>-1,875</b>

This increase, however, masks that:

- Core funding has fallen in real terms by circa £11m since 2010 and only increased by around £0.1m since 2015. This is during a period of high inflation etc.
- Homeless/Housing costs have risen by £3.8m since 2020 compared to homeless prevention grant rising by £1.1m in the same period.
- EPR funding is new and welcome funding. However, as discussed in the Future funding section below, it is already under threat of being reduced in future years.
- NIC cost increases are £0.87m, so the Council has been underfunded by nearly £0.6m.

#### **Future Funding for 2026/27 and later years**

There is, unfortunately, little reason to be optimistic regarding the funding that the city can expect from Government in future. Consultations on changes to funding mechanisms have already started but the actual allocations may only become apparent at some point between late Summer and Christmas 2025.

What is almost certain in the new arrangements is:

- A principle on which the new allocation will be based is that authorities with lower value (weak) taxbases will gain. Authorities in the north of England have lower property values and this means less Council Tax income or at least higher Band D Council tax levels. Those like the city with strong, high growth taxbases and lower Band D charges will be adversely affected as funding is prioritised to those with reverse characteristics. To quote Government: “For example, despite higher levels of deprivation, residents in one northern city are paying £351 more Council Tax this year than the residents of a southern shire county with a similar population”.
- Areas with high deprivation will gain from reallocation of funding from affluent areas. Again, this will disadvantage Chelmsford.
- Business Rate Retention baseline will be reset. The funding released will be included in the overall new Core Spending Power. The city uses £2.25m of retention income to support the budget. As the higher core funding will be directed to other councils with higher deprivation and weaker Council tax income, Chelmsford will lose from this new arrangement.
- There will be no New Home Bonus scheme. This will disadvantage growth areas like Chelmsford.
- There will be a transitional protection scheme for authorities who lose funding. It will phase in losses and gains over three years. In the third year, all the changes will have taken effect.

Changes that are probable but not certain:

- Overall funding of district services is likely not to increase and could fall.
- The government is consulting on whether Extended Producer Responsibility funding should form part of the Core Spending calculation. This would most likely lower Chelmsford’s core funding.



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- The City Council's core funding allocations were, under the previous Government's last review (pre-2015), expected to fall by £1m a year, however, the loss was not implemented.
- Local Government Reorganisation. The Government believes that reorganisation will generate savings which the new unitary authorities can utilise to help relieve budget shortfalls. The consultation on 2026-27 funding for local authorities implies this. The Government's view supports the premise that Chelmsford's funding will be reduced in both real and cash terms.

Changes that have not been raised by Government but might happen:

- The Government, logically, should change the method of allocating Temporary Accommodation funding to councils. This should be done by updating the Local Housing Authority (LHA) from 2011 rents levels to 2024 rent levels. This could increase funding by over £1.2m a year to the City Council, however, it could be expected that homeless prevention grant (£1.715m) would then be reduced. This is shown in **table 4** below.

### Indicative Funding Changes

In section 8, the s151 officer discusses the financial risks to the authority. Below is the s151 view of the probable changes to Government funding from 2026/27 onwards. It reflects the current statements and approach the Government appears to be taking. The projection should be used in financial planning. It is recommended to plan for a £2.75m ongoing annual loss of funding by 2028/29. The s151 believes a funding reduction is inevitable based on government statements and the table should be taken as a mid-point with a variance of £1m either way.

Line 2 of table 4 allows for the potential upside of change to temporary accommodation funding. Though a logical change, there have been no public statements by Government committing to this change, so the s151 does not recommend it is included in the Council's financial planning, except as an upside financial risk/gain.

**Table 4**

	2026/27	2027/28	2028/29
Non cumulative +losses/-gains	£ms	£ms	£ms
Business rate retention reset	2.25	2.25	2.25
Allowance (provision for core funding loss) *	0.5	0.5	0.5
<b>Total Loss</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>
<b>Adjustment to Phase in the loss of Funding</b>	<b>-1.82</b>	<b>-0.91</b>	<b>0</b>
<b>1) Loss of funding compared to 2025/26 base year</b>	<b>0.93</b>	<b>1.84</b>	<b>2.75</b>
<u>Adjust for</u>			
Additional Temporary Accommodation Subsidy funding	-1.2	-1.2	-1.2
Loss of Homeless prevention Grant. 50% of worst case	0.42	0.42	0.42
Net Gain from Temporary Accommodation funding	-0.78	-0.78	-0.78
<b>Adjustment to Phase in the loss of Funding</b>	<b>0.51</b>	<b>0.26</b>	<b>-0.78</b>
<b>2) Loss of funding compared to 2025/26 base year</b>	<b>0.66</b>	<b>1.32</b>	<b>1.19</b>

*\*The allowance (loss) is subjective judgement based on Government statements. The previous attempt to reallocate funding left £1m of further cuts to Chelmsford's core funding still unmade. The transfer of Business Rate retention into the core settlement should reduce losses due to changes in the allocation method.*

## Section 3 Inflation and Financial Pressures

This section details the main cost pressures identified when drafting the 2025/26 budget.

### Housing costs

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The Council is estimated to need to spend £5.9m in 2025/26 on Housing services, which mostly relates temporary accommodation (TA) for the homeless.

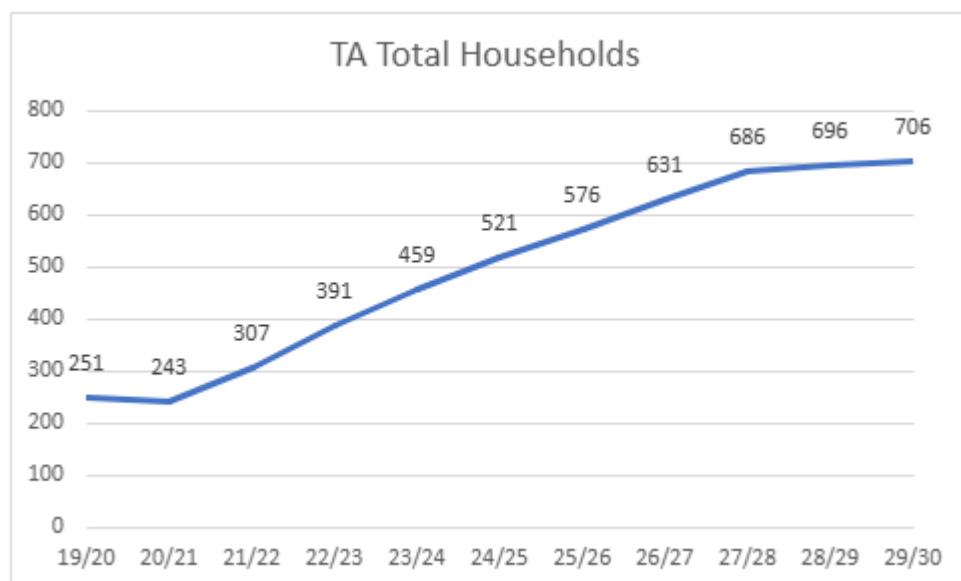
Homeless costs have risen from £1.365m, or 7.23%, of net spend Council spend in 20/21 to 19.72% of net council spend in 2025/26. This has the impact of reducing the ability of the Council to finance other services to residents. The table below shows that increase in thousands of pounds.

**Table 5**

Budget for Temporary Accommodation	2020/21	2025/26
	£000s	£000s
Caseload and HB Subsidy Loss	747	4,623
Repairs, bad debts, and other running costs	618	575
<b>Total</b>	<b>1,365</b>	<b>5,198</b>

The numbers of households in temporary accommodation are difficult to predict. The projections are lower than those made in the 2024/25 budget. However, the upward trend in case numbers continues. The average cost of a new case is £13k per year. The cost per case is not rising as rapidly as it did in 2023 as it has been alleviated by bulk purchasing of accommodation in advance. The expectation is that, during 2025/26, additional modular units of temporary accommodation are planned which will lower unit costs in 2026/27.

**Table 6**



The numbers in Temporary Accommodation are expected to temporarily plateau in 2028-30 due to potential new builds by CHP. The projections do not include an assumption of new affordable units on Chelmer Waterside, which should produce a temporary improvement.

### Cost Pressures and Inflation

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

**Table 6 Pay and Cost Pressures 2025/26 (changes + adverse/-favourable from 2024/25 budget)**

Pressures	Budget	New	New	New	New
	2025/26	Forecast	Forecast	Forecast	Forecast
	£000s	£000s	£000s	£000s	£000s
National Insurance	870	0	0	0	0
Pay Inflation	2,146	1,350	1,390	1,430	1,470
Utilities	-981	0	0	0	0
Other inflation	912	370	380	400	410
<b>Total</b>	<b>2,947</b>	<b>1,720</b>	<b>1,770</b>	<b>1,830</b>	<b>1,880</b>

### National Insurance

The Government's October budget increased, from April 2025, the contributions employers make for National Insurance. The gross cost to the Council is estimated to be £870,000 per year. The Government committed to compensating local authorities for the additional cost. As discussed in Section 2 of this report, the compensation is currently expected to be circa £282,000 or less.

### Pay Inflation

The cost of the annual pay award has for the last few years been heavily influenced by high inflation and by the annual increases in National Living Wage (NLW) set by Government.

The NLW can be broadly said to have increased the annual cost of the Council's pay award by £0.5m each year in 2023/24 and 2024/25. The actual impact is difficult to determine as the NLW increases, in theory, only affect the bottom points of the pay points (grades). However, equal pay rights require the Council to keep a reasonable gap between pay points (grades). So, in practice, the most cost-effective pay awards guaranteed a minimum £s increase to keep the bottom points above the NLW, but a lower percentage applies to higher grades. For example, the pay increase for 2024/25 was the higher of £1,290 or 2.5%.

Unlike other parts of the public sector, the Government does not fund council increases in NLW or pay. The increases in NLW were 6.62% in 2022/23, 9.68% in 2023/24, 9.79% in 2024/25, and in 2025/26 it will be 6.73%.

The budget for 2025/26 includes an additional £2.146m to fund an assumed 3% pay award, the higher than budgeted cost of the 2024/25 award, and a provision (1% of pay) for funding changes to the bottom points of the Council pay grades which should provide some future proofing for changes in NLW. The cost of the provision is only affordable if it reduces the need to increase the payline in future for changes in NLW. It is not intended to provide extra funding for an across-the-board pay increase as it is effectively funded by a lower expectation for pay in 2026/27 and onwards.

The annual average pay award at the Council 2010-2021 was 1.25%. This low level may also have created a catch-up factor affecting future awards. At the time, this small increase helped to close budget gaps.

As the last few years pay awards have been above the budget provision, it is prudent to assume a 3% increase in the years after 2025/26.

### Other Inflation

The Council is a complex organisation with many different activities being undertaken. Each activity will experience different rates of inflation and demand pressures. In the two decades before the pandemic (used as a time marker, not necessarily the cause), the Council budget did not require significant budget increases for inflation. However, inflation on non-pay spend is now a financial problem. The table below sets out the changes in the 2025/26 required to fund inflation on non-pay costs. Beyond 2025/26, inflation is still assumed to be a problem but a lesser one.

### Table 7

Other inflation	Budget	New	New	New	New
	2025/26	Forecast	Forecast	Forecast	Forecast
	£000s	£000s	£000s	£000s	£000s
NDR Inflation @ 2% post 25/26	97	70	65	66	68
Building Maintenance @2.5% post 25/26	182	60	25	26	26
Insurance Premium 5% post 25/26	83	26	27	29	30
Other Inflation/cost	131	86	89	91	94
Fleet Repair and Maintenance					
Inflation @ 10% post 25/26	101	86	94	103	113
Software	157				
Bank Charges, Postage & Audit fees	161				
<b>Total</b>	<b>912</b>	<b>328</b>	<b>300</b>	<b>315</b>	<b>331</b>

### Variations - One off Costs (Temporary items)

Where possible, one-off costs are funded from reserves and shown in the table below. There are no material one-off items in 2025/26.

**Table 8**

Variations that are one off	Budget	New	New	New	New
	2025/26	Forecast	Forecast	Forecast	Forecast
	£000s	£000s	£000s	£000s	£000s
Funded from Reserves					
Elections	0	0	305	-305	0
Allowance for refugee grants ceasing	0	200	0	0	0
Funded from Reserves					
Pension Deficiency Cost	0	534	-534	0	0
<b>Total</b>	<b>0</b>	<b>734</b>	<b>-229</b>	<b>-305</b>	<b>0</b>

## Section 4

### Income Generation, Increased Charges, and Budget Reductions

#### **Growth and loss of Income Variations – these are not from price changes**

Table 9 identifies the main changes compared to the last year, 2024/25, budget. Negative figures are gains in income over the 2024/25 budget and positive numbers are lower income or where expenditure budgets need to be increased to generate the extra income.

The main change expected beyond 2025/26 is that the Council's commercial property income returns to previous levels as buildings are re-let. The Council has a number of empty properties and

£1.1m is budgeted to be taken from reserves in 2025/26 on a temporary basis to fund loss of income and associated extra costs.

**Table 9**

	Budget 2025/26 £000s	New Forecast 2026/27 £000s	New Forecast 2027/28 £000s	New Forecast 2028/29 £000s	New Forecast 2029/30 £000s
<b>Net Income (non-price -growth/+loss)</b>					
Recycling and waste income realignment	-356	0	0	0	0
Theatre Income realignment	-620	0	0	0	0
Leisure Income realignment	-764	0	0	0	0
Theatre cost realignment	632	0	0	0	0
Recycling & waste cost realignment	209	0	0	0	0
Leisure cost realignment	422	0	0	0	0
Car Parks	-331	0	0	0	0
Bereavement services reduced volume	299	0	0	0	0
Local Land Charges	75	0	0	0	0
Rent income (net of any cost changes)	108	-1,130	-120	0	0
Trade waste	-196	0	0	0	0
<b>Total</b>	<b>-522</b>	<b>-1,130</b>	<b>-120</b>	<b>0</b>	<b>0</b>

**Table 10 - Additional Income from Fees and Charges Price Changes**

The table shows the gains resulting from the December Council decisions and from price increases made under delegation.

	Budget 2025/26 £000s	New Forecast 2026/27 £000s	New Forecast 2027/28 £000s	New Forecast 2028/29 £000s	New Forecast 2029/30 £000s
<b>Price Change - generates extra income:</b>					
Garden Waste New charge (net)	-1,300	0	0	0	0
Leisure services	-421	-288	-297	-306	-315
Bereavement services	-281	-115	-118	-122	-126
Car parks	-720	-248	-256	-264	-272
Planning Charges	-123	-174	-60	-61	-63
Other net (below £100k individually)	-179	-184	-190	-196	-202
<b>Total</b>	<b>-3,024</b>	<b>-1,009</b>	<b>-921</b>	<b>-949</b>	<b>-978</b>

**Budget reductions (savings)**

Directors and Cabinet members have identified cost reductions and income generation plans whose financial impact is shown in **Table 11**. Not all the 2024/25 planned savings have been made (£162k). Given the limited scope to identify savings every year, this is likely to be an issue going forward.

**Table 11 Budget reductions**

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	Budget	New	New	New	New
	2025/26	Forecast	Forecast	Forecast	Forecast
	£000s	£000s	£000s	£000s	£000s
<b>Budget Reductions</b>					
Customer Services	-20	-20	0	0	0
Digital Services	-150	0	0	0	0
Finance (procurement, risk and insurance)	-72	0	0	0	0
Savings set in 2024/25 not currently achievable	162	0	0	0	0
Office Accommodation Review target initial saving	0	-50	-50	0	0
Non-specific staff savings target (including move Part time work)	0	-80	0	0	0
<b>Total</b>	<b>-80</b>	<b>-150</b>	<b>-50</b>	<b>0</b>	<b>0</b>

## **Section 5**

### **2025/26 Service Investment**

This section of the report identifies increases in the 2025/26 budget that are required to deliver new corporate initiatives, maintain or improve Council assets, or increase income streams. They are categorised into Revenue and Capital.

#### **1) Revenue Investments in Services**

The budget must allow for the additional costs either to improve services or to fund the consequence of the City's growing population:

- £174,000 for restructuring the Housing standards (environmental services) team to manage the increased workloads resulting from Government legislation to improve the quality of private sector housing
- £36,000 of funding to green spaces for City Growth
- £40,000 to Street care for City Growth
- £72,000 to Waste and Recycling for City Growth

#### **2) Capital Investments in Services**

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

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

Council approval is sought annually each February for the Capital Strategy, which provides details of overall funding and capital expenditure plans. A summary of how revenue and capital expenditure are linked is included in **Section 6** of this report.

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

**Table 12a** shows the new capital schemes budgets for which approval is sought and any external or internal funding. The vast majority of the additional spend is due to the need to replace existing components and plant in our buildings, without which, in a few years, service provision will become almost impossible. Many of these are provisions, which means that they are not robust estimates. Variations in costs should be expected as officers develop firmer scoped works. **Table 12b** identifies any external funding or existing funding being used.

The impact of the new schemes (**Table 12c**) is an additional net revenue cost of £369k per year, which has been allowed for in the revenue financing costs for 2025/26 shown in Section 6.

Table 13d provides a narration and delegation for each of proposed new budgets/provisions.

Table 12a

<b>TABLE 13 CAPITAL PROGRAMME - New Schemes Identified for Approval</b>							
<b>Spend Details</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Later Yrs</b>	<b>Total Spend</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>New Schemes (see table 5 narrative for details)</b>							
1 Riverside Dryside Lockers Keyless System		11					11
2 Riverside Ice Rink Seating		21					21
3 Riverside Magic Water System and Cleaning Equipment		14					14
4 Riverside Studio 2 Upgrade - AV Equipment		5					5
5 CSAC Activity Room Enhancements		14					14
6 WiFi Hardware		115					115
7 * Beaulieu Park New Sports Ground Top Up - CCC contribution from S106		800					800
<b>Provision for Building Condition Surveys Various Works - delegation to Officers to spend</b>							
8 * Civic Centre - Various		160					160
9 * Crematorium - roof repairs		10					10
10 * Chelmsford Sports and Athletics Centre - heating and grandstand repairs		150					150
11 * Freighter House - Heating and Air Conditioning		120					120
12 * Hylands House, Pavilion & Visitor Centre - Various		90					90
13 * High Cherlmer Multi Storey Car Parks - Fire doors and electrical work		20					20
14 * Museums - Sandford Mill Roof £30k Oaklands Various £40k		70					70
15 * Parks' Pavilions and Depot - Structural £55k, Heating £55k Security £20k		130					130
16 * Riverside Ice and Leisure Centre - Insulation and Protective Works		100					100
17 * Theatre - Various		110					110
<b>Provision for Building Condition Surveys - Items Requiring approval by Cabinet following Business case Submission</b>							
18 * Hylands House and Visitor Centre - Boiler Replacement				400			400
* Riverside Ice and Leisure Centre - Ice Rink chiller replacement and energy efficiency measures		1920					1,920
20 * Riverside Ice and Lesure Centre - Ice Rink Roof		1030					1,030
21 * Museums - Oaklands Ground Source Heat Pump				350			350
<b>Sub Total</b>	<b>0</b>	<b>4,890</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,640</b>

\*Schemes where Delegation Required for Cabinet/Officers to Spend Once Business Cases Received



Table 12b

		2024/25	2025/26	2026/27	2027/28	2028/29	Later	Total
	<b>Funding Details</b>						<b>Later Yrs</b>	<b>Spend</b>
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
	<b><u>Previously Approved Capital Budget</u></b>							
	N/A							0
	<b><u>Funding From Revenue</u></b>							
	N/A							0
	<b><u>Funding From S106 Already Received</u></b>							
	Beaulieu Park New Sports Ground		-800					-800
	<b><u>Potential Funding</u></b>							
	N/A							0
	<b>Total of New Scheme Proposals After Funding Applied</b>	<b>0</b>	<b>4,090</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,840</b>

Table 12c

			Estimated Ongoing Impact on Revenue Budgets at Scheme Completion			
		Net Capital Cost	MRP & Int	Income From Proposal	Ongoing Net Impact	Notional Impact on Band D Property
		£000s	£000s	£000s	£000s	
1	Riverside Dryside Lockers Keyless System	11	1		1	0.01
2	Riverside Ice Rink Seating	21	3		3	0.04
3	Riverside Magic Water System and Cleaning Equipment	14	3		3	0.04
4	Riverside Studio 2 Upgrade - AV Equipment	5	1		1	0.01
5	CSAC Activity Room Enhancements	14	1		1	0.01
6	WiFi Hardware	115	14		14	0.19
7	Beaulieu Park New Sports Ground	0	0		0	0
	<b>Various Works - delegation to Officers to spend</b>					
8	Civic Centre	160	16		16	0.22
9	Crematorium	10	1		1	0.01
10	Chelmsford Sports and Athletics Centre - Inc boiler	150	11		11	0.15
11	Freighter House	120	10		10	0.14
12	Hylands House and Visitor Centre	90	8		8	0.11
13	Multi Storey Car Parks	20	2		2	0.03
14	Museums	70	8		8	0.11
15	Parks' Pavilions and Depot	130	11		11	0.15
16	Riverside Ice and Leisure Centre	100	10		10	0.14
17	Theatre	110	9		9	0.12
	<b>Provision for Building Condition Surveys - Items Requiring approval by Cabinet following Business case Submission</b>					
18	Hylands House & Visitor Centre - Boiler Replacement	400	31		31	0.43
19	Riverside Ice & Leisure Centre - Ice Rink Chiller Units	1,920	131		131	1.82
20	Riverside Ice & Lesure Centre - Ice Rink Roof	1,030	65		65	0.9
21	Museums - Oaklands Ground Source Heat Pump	350	33		33	0.46
	<b>Total - DRF Provision</b>	<b>4,840</b>	<b>369.0</b>	<b>0</b>	<b>369</b>	<b>£5.09</b>
	<b>Total Financing Costs</b>					

## **Table 12d – New Capital Proposals Narratives**

Reference to Table 12a and narration

### **1. Riverside Ice and Leisure Centre – Dryside Lockers Keyless System £11k**

The dryside changing rooms contain 96 lockers. These lockers currently use the pound return system which have a plastic wristband and key. Over time users have either taken their key home, broken the wristband, broken the key, or broken the lock. There are currently many lockers out of use which has led to complaints.

This proposal is to replace the pound system with a wireless option. This would mean nobody can take their key home, break their key or wristband. This would ensure all lockers remain in use, keeping customers satisfied.

Acquiring the above system will ensure that customers are able to access the lockers with a simple use system.

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

### **2. Riverside Ice Rink Seating £21k**

After the 2012 London Olympic Games, the Council received a donation of seats to install in the Ice Rink. Due to the high usage of hosting Ice Hockey games which attract up to 800 spectators, the seats have gradually deteriorated. A replacement programme for the seats commenced in 2019 and the service has been able to gradually replace seats from their revenue budgets. The remaining 192 seats now need to be replaced and with pressure on their revenue the service is unable to complete the replacements without requesting an additional budget. The seats will be installed by staff at the centre.

This proposal will complete the renovation which and has ensured maximum usage from the existing seats which have lasted twelve years. The seating is vital in delivering Ice Shows which generate income and for the weekly Ice Hockey matches which host up to 800 spectators.

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

### **3. Riverside Ice and Leisure Centre – Magic Water System and Cleaning Equipment £14k**

The centre welcomes over a million visitors annually. To accommodate this volume, it is essential that the cleaning team is equipped with the necessary tools and supplies to maintain a clean and safe environment. Some of the equipment is nearing the end of its lifespan, and the current use of multiple chemicals is not only costly but environmentally unfriendly. Alternatives to chemical usage have been explored. "Magic Water," or Electrolyzed water, is simply ionized salt water. It offers stronger cleaning power than bleach while remaining safe and even drinkable.

Purchasing the 'Magic Water' system and equipment will ensure that all surfaces within the Centre are maintained to the highest standards, meeting customer expectations. Additionally, using the new system which converts ordinary water into Electrolyzed water will significantly reduce, if not eliminate, the use of chemicals, thereby lowering costs and contribute to a greener environment.

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

### **4. Riverside Ice and Leisure Centre Studio 2 Upgrade – AV Equipment £5k**

Virtual group exercise classes are offered in 2 of the 3 studios. Virtual classes supplement the timetable with the ability to provide classes for members at any time of the day that instructor led classes do not take place. Studio 2 is currently the only studio without this functionality. With the absence of a Virtual class offering in studio 2, sometimes classes will be cancelled if a cover instructor cannot be found.

The additional equipment will enable an additional virtual class offering to be provided at the centre increasing the number of classes on offer for existing and potential new members. It would provide further assurance against having to cancel classes in the event of an instructor not being available. **It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets.**

#### **5. Chelmsford Sport and Athletics Centre – Activity Room Enhancements £14k**

This proposal is to introduce a suspended ceiling and to replace existing lighting with dimmable LED and reactive lighting. It is difficult to control the temperature of the room due to the high ceiling, and the acoustics in the room are poor. The room is hired out for various activities as well as being used for spin classes. The space has had investment as a phased approach over the last few years, but these improvements will complete the room, and the enhancements will offer a variety of users the ability to use the space which will retain and maximise income for the centre.

Net Carbon Zero – LED lighting to be installed which is more sustainable and will have to be replaced less frequently. Energy use will decrease.

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

#### **6. Wi-Fi Hardware £115k**

Due to the aging hardware currently in use for the Wi-Fi provision across the organisation, there has been a decline in service quality. This is affecting revenue from external hires of meeting rooms as well as speed and connectivity issues for staff across the organisation. To address this issue, it is necessary to replace the outdated hardware.

Additionally, this presents an opportunity to consider changing the service provider and increasing the Wi-Fi speeds and connectivity across all sites. The existing contract has expired, and it would be the right time to go to market and get the newest Wi-Fi standards in to support external hires and staff. Provision has been made in the service's budget for the forecast increased revenue costs for the service provision.

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

#### **7. Beaulieu Park New Sports Ground Top Up £800k**

An amount of £1.8m has been included as part of the S106 planning obligations to provide a six pitch sports and recreation ground east of New Hall School. The £1.8m is the developer's obligation in the agreement and the facility is to be funded by them, the basic ground delivery/build completed by them and following completion the facility will be transferred to the Council to manage and maintain. It is anticipated that the £1.8m planning obligation will not be sufficient to deliver all the facilities needed and hence a top up from the sports contributions from the Channels development is required. Any additional cost will be offset by S106 contributions and there should be no additional cost to the Council.

**It is requested that delegated authority is given to the Director of Public Places to spend within the approved budgets and to use agreed S106 contributions towards the cost of the scheme.**

#### **21. Provision for Works Identified from Building Condition Surveys £4.7m**

Building Services has completed the five-yearly schedule of condition reports for the Council's owned and operated estate. These condition reports have highlighted the need for works to be undertaken in 2025/26 to maintain the Council's estate in a safe and operationally reliable manner. Previously these projects would have been grouped or bid for by individual Capital bids. This approach is not suited to the number and scale of the projects required.

There has been a history of requesting supplementary estimates to fix building elements which had failed or were predicted to fail imminently. To improve this situation, Building Services has been

working to produce a forward plan of works that can be costed and actioned to minimise the operational and financial risks from having building elements fail.

Further assets have been identified as in poor condition but are not included for funding because the operational future of the buildings is not assured. Examples of these include the air conditioning units at the end of their life at the crematorium and boiler and other works required at Waterhouse Lane depot. These assets have been discussed with the relevant Heads of Service and should be kept under review.

The next round of condition surveys is due in 2028/29 and will improve the accuracy of longer-term forecasting.

The works have been packaged into a number of different budgets reflecting timing and complexity of delivery.

The proposals do not include redecoration or upgrade/ modernisation of existing functional assets. Net Carbon Zero – the Council is not currently pursuing Air Source Heat Pump (ASHP) technology as a replacement for existing fossil fuel boilers due to the excessive cost. Boilers will be replaced with like-for-like technology as they are at the end of their predictable/ operational life for the next 5 years: these should be more energy efficient.

These spends will be monitored, and any slippage managed by regular meetings.

Given the high inflation and need to work up proposals further and tender, it is important to note there is still uncertainty regarding costs. It is requested that a provision is established that can be drawn down as costs and timing of projects become more certain.

#### Packages of Work Below £0.2m totalling £0.96m

The works have been split into those with a cost of less than £200k. The estimated cost of these works is £960k for 62 works packages across the sites shown on Table 12a. These works include fire and intruder alarm replacements, boiler replacements and fire risk assessment works, and these are deemed high priority for health and safety.

Many of the smaller work's packages will be scheduled following liaison with the Heads of Service/Premises Managers depending on the operational requirements of the service areas.

**It is requested that delegated authority is given to the Director of Public Places who in agreement with the Service's Director will deliver the works within the budget provision identified.**

#### Schemes over £0.2m in value (£3.7m for four projects).

The delivery of the four larger projects has been provisionally costed and scheduled. These projects will require feasibility and options to be reviewed before commencing.

To maintain the operation of Leisure and cultural facilities it is important to get approval of budgets for the projects as soon as possible. The projects are not fully costed, and further development of schemes is needed. Variations to the budget will be dealt with via the normal processes.

**It is requested that these projects are delegated to Cabinet and any works package beyond project planning stages will be approved by Cabinet following the submission of a business case. It is requested that the Director of Public Places is given delegated authority to spend up to £50k from each of the budgets on appraisal costs.**

## **Section 6**

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

The Council is required by statute to produce a Capital Strategy each year that must be approved by Council at the same time as the budget, but not in the same report. The strategy gives an overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of local public services. It also identifies how the associated risks are managed and the implications on the financial sustainability of the Council.

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

The key consideration when approving the capital programme is the cost of financing capital expenditure and this section of the budget report identifies that cost.

The Council's capital programme is shown in **Section 5 (Table 12a, new schemes)** and **Section 11 (Replacement Programme and previously approved schemes)**. The capital programme is different from revenue budgets in that borrowing and asset sales may be used to fund expenditure.

The actual methods of financing can differ from the estimates depending on the life of assets being financed, resources available, and the relative costs of each resource. The s151 Officer will determine the optimal mix of resources at the end of the financial year.

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

- Additional running costs, income, or savings resulting from the acquisition of equipment or on completion of a capital project.
- Funding of capital schemes
  - A. Borrowing costs. Interest and principal repayments (Minimum Revenue Provision (MRP)) are a revenue cost.
  - B. Direct Revenue Financing of capital schemes. An expenditure line in the Council's Revenue budget which, in effect, funds capital expenditure.
  - C. Feasibility or design works on schemes that are no longer a capital cost. Any that does not result in an asset for the Council, or third party will need to be charged to revenue resources. This is a requirement under government accounting practice.

#### **A. Borrowing Costs**

For any scheme that is not self-financing or where the Council does not have enough capital receipts, grants, or external contributions available to fund it, the Council must either internally borrow surplus cash held or borrow externally. Both types of borrowing have revenue implications.

The Council's capital programme does require the use of borrowing. The revenue cost of borrowing is split into two parts. The first part is the interest forgone from not investing surplus cash that the Council internally borrowed, or if the Council externally borrowed, the interest cost on any external loans.

The second part is that the Council is required under regulation to set aside instalments to pay down debt. This is a charge to the revenue budget called the Minimum Revenue Provision (MRP) and is payable on internal and external borrowing.

The capital programme is split between one off schemes and replacement programmes for vehicles, plant, and equipment, needed to run the Council's services. The useful life of the asset determines how quickly we need to repay the debt through MRP. As most equipment tends to have a relatively short useful life, the revenue cost of borrowing for the replacement programme, the MRP we charge to revenue, is significantly higher than borrowing for, say, land.

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

The MRP charge is made to revenue in the year after the asset is complete or becomes operational. For that reason, the cost of the new schemes proposals is dealt with as a voluntary contribution to capital in 2025/26 and discussed further below.

**Table 13**

<b>Internal and External Borrowing Combined</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>
Opening Balance as at 31/03/2023	35.363						
New Annual Borrowing	3.024	6.822	16.820	8.567	7.297	6.267	2.909
Less MRP Repaid	-0.811	-1.094	-1.284	-2.114	-2.357	-3.112	-3.73
<b>Cumulative Borrowing (Capital Financing Requirement)</b>	<b>37.576</b>	<b>43.304</b>	<b>58.840</b>	<b>65.293</b>	<b>70.233</b>	<b>73.388</b>	<b>72.567</b>

The increase in borrowing in 2025/26 of £17m is mostly caused by the following:

Housing Initiatives – schemes to be agreed and will be self-financing £4.5m

Replacements £4.3m

Maintenance of Existing Property Assets £1.4m

Purchase of assets for future developments of sites £1m

Acquisition of land for new cemetery £2.8m

Table 13a

<b>Breakdown MRP Repaid</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>	<b>£ms</b>
Capital Schemes Approved	0.408	0.496	0.665	0.888	0.981	1.074	1.145
<b>Capital Schemes MRP</b>	<b>0.408</b>	<b>0.496</b>	<b>0.665</b>	<b>0.888</b>	<b>0.981</b>	<b>1.074</b>	<b>1.145</b>
Capital Replacements life less than 10 years		0.013	0.019	0.551	0.911	1.424	1.945
Capital Replacements Finance Leases	0.403	0.585	0.600	0.675	0.465	0.615	0.64
<b>Capital Replacements MRP</b>	<b>0.403</b>	<b>0.598</b>	<b>0.619</b>	<b>1.226</b>	<b>1.376</b>	<b>2.039</b>	<b>2.585</b>
<b>Total MRP Repaid in Year</b>	<b>0.811</b>	<b>1.094</b>	<b>1.284</b>	<b>2.114</b>	<b>2.357</b>	<b>3.113</b>	<b>3.730</b>

The table above is debt repayment (MRP) split into the cost of funding capital schemes and the replacement programme (equipment and vehicles). The rising cost of the MRP replacement programme is both good and bad news. It is a positive development as it means the replacement programme is increasingly funded from ongoing contributions, but of course also means the cost of the capital programme will continue to rise until the replacement programme is fully funded from borrowing, likely to be circa 2030.

**Table 14**

The Council earns interest on its cash balances when investing them or forgoes it when internally borrowing them. The cost of financing the programme is combined with interest (investment) income below to show the net cost of financing. This rises from £1.5m in 2025/26 to £4.9m in 2029/30. Replacement equipment costs make up more than half of the 2029/30 cost.

Budgeted Net Revenue Costs Changes - financing costs of Capital Programme								
	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Estimate interest income	-2.884	-1.010	-0.925	-0.772	-0.726	-0.793	-0.885	
Estimate interest costs	0.262	0.856	1.302	2.061	2.156	2.326	2.390	
Estimated MRP schemes and leases	0.811	1.134	1.284	2.114	2.357	3.113	3.730	
<b>Net Revenue cost of financing capital</b>	<b>-1.811</b>	<b>0.980</b>	<b>1.661</b>	<b>3.403</b>	<b>3.787</b>	<b>4.646</b>	<b>5.235</b>	
Financing Cost less								
Income gain from existing schemes MRP			-0.013	-0.066	-0.074	-0.077	-0.081	
Income gain from existing schemes - interest assumed borrowing			-0.113	-0.246	-0.265	-0.265	-0.265	
<b>Net financing cost after scheme benefits</b>		<b>0.980</b>	<b>1.535</b>	<b>3.091</b>	<b>3.448</b>	<b>4.304</b>	<b>4.889</b>	
Change Year on Year		<b>0.470</b>	<b>0.555</b>	<b>1.556</b>	<b>0.357</b>	<b>0.856</b>	<b>0.585</b>	

**Table 15 Strategic CIL table**

A key resource to the Council is the Community Infrastructure Levy (CIL), which can in some cases be used to finance capital expenditure. The current balance and expected receipts are shown below and have been used when planning the budget:

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	
	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Balance 31/3/2024	-22.654							
Forecast CIL receipts to be received	-1.072	-0.958	-2.268	-2.722	-7.135	-11.9	-11.584	
Ringfenced Income not available to use				0.642	2.611	3.755	3.949	
CIL receipts committed to Capital Schemes		1.563	20.970	4.344	1.460	0.000	0.000	
	-22.654	-22.163	-2.151	-0.075	-0.695	-5.219	-13.364	-20.999

The forecast is that the CIL income will start to recover in 2026/27, and from 2027/28 none of that funding is committed to fund expenditure, so there will be a surplus of £20.999m by the end of 2029/30. Any interest on the surplus balance will be taken to reserves to fund capital expenditure.



### B. Direct Revenue Financing of capital schemes

The revenue budget for 2025/26 contains contributions from revenue to fund capital (direct revenue financing of capital), £369k from ongoing resources is to cover the future cost of financing the new schemes. As the new schemes are completed the £369k will be gradually reduced to offset the MRP and interest costs for the new schemes rising. Additional revenue contributions are also being made fund from reserves. The total planned contributions from revenue to capital are shown in Table 16 below.

### C. Schemes Feasibility or Design Works that are no longer a capital cost

The Council can charge feasibility, and design works to capital resources only when they result in the creation of an asset. Should a scheme not continue to completion, any costs previously charged to capital are required under Government accounting practice to be charged to revenue.

This risk can be managed by maintaining an earmarked reserve to alleviate the consequences, which is detailed in **Section 7**. The expected expenditure is shown in Table 16 below.

**Table 16**

<b>Reserves use to fund capital expenditure</b>	<b>Budget</b>	<b>New Forecast</b>	<b>New Forecast</b>	<b>New Forecast</b>	<b>New Forecast</b>
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2027/28</b>	<b>2027/28</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Contributions from Reserves to Fund Capital	819	62	192	50	0
Schemes Feasibility or Design Works that are no-longer a capital cost	0	0	0	0	0
<b>Total</b>	<b>819</b>	<b>62</b>	<b>192</b>	<b>50</b>	<b>0</b>
<b>Contributions funded from Ongoing Revenue</b>	<b>369</b>	<b>369</b>	<b>369</b>	<b>369</b>	<b>369</b>
<b>Total Revenue contributions to capital</b>	<b>1,188</b>	<b>431</b>	<b>561</b>	<b>419</b>	<b>369</b>

### **Unfunded Capital priorities**

The Council cannot currently afford from within its existing resources all the capital expenditure priorities it requires to fund Our Chelmsford, Our Plan. A list of unfunded priority schemes can be found in Annex 1 of the Treasury Management, Investment and Capital Strategies report elsewhere on this agenda. The creation of a full list is likely to take several cycles of the budget. Scheme priorities should be constantly reviewed and allow for funding for infrastructure arising from the local plan.

**Section 7**  
**Budget Forecast & Reserves**

Revenue Budget Forecast

The revenue forecast should be used with the budget (including Reserves and Council tax) to determine if decisions are affordable and sustainable. The latest shortfalls identified in the central planning case are shown below. The explanations of the movements are referenced to the appropriate section of this report.

**Table 17**

<b>Forecast Budget Shortfalls (change from preceding year)</b>					
	<b>See Report Section</b>	<b>New Forecast 2026/27 £000s</b>	<b>New Forecast 2027/28 £000s</b>	<b>New Forecast 2028/29 £000s</b>	<b>New Forecast 2029/30 £000s</b>
<b>Summary Variances</b>					
Pay & Cost - inflation & pressures	Sec 3, pg19	1,720	1,770	1,830	1,880
Housing Temporary Accommodation, Benefit (before additional grant)	Sec 3,pg18	650	830	540	260
Variations that are one off	Sec3, pg20	734	-229	-305	0
Net Income ( <b>non-price - growth/+loss</b> )	Sec 4 pg21	-1,130	-120	0	0
Growth	Sec 5, pg23	400	370	370	370
Capital Financing	Sec6, pg30	788	403	989	355
<b>A) Budget Gap before additional funding</b>		<b>3,162</b>	<b>3,024</b>	<b>3,424</b>	<b>2,865</b>
<b>Changes in Reserve Use</b>					
Reserve changes - Additional use/ + less use	Sec 7, pg36	622	1,383	732	-330
<b>B) Budget Gap remaining</b>		<b>3,784</b>	<b>4,407</b>	<b>4,156</b>	<b>2,535</b>
<b>Change in Government Funding</b>	Sec 2, pg16	930	910	910	0
<b>C) Budget Gap remaining</b>		<b>4,714</b>	<b>5,317</b>	<b>5,066</b>	<b>2,535</b>
<b>Funding Generated By Council to Meet Gap</b>					
Net Savings	Sec4, pg22	-150	-50	0	0
Income - New and increased Fees and Charges	Sec 4,pg21	-1,009	-921	-949	-978
Council tax increase and growth	Sec 9, pg47	-598	-618	-638	-659
Council Tax deficit variations	Sec 9, pg48	-378	0	0	0
Funding Generated By Council		-2,135	-1,589	-1,587	-1,637
<b>D) Annualised Budget Gap forecast</b>		<b>2,579</b>	<b>3,728</b>	<b>3,479</b>	<b>898</b>
<b>E) Net Gap, If the prior year is not balanced</b>		<b>2,579</b>	<b>6,307</b>	<b>9,786</b>	<b>10,684</b>

Commentary on Table 17

**Row A:** This reflects the deficit arising from all the cost pressures identified just to maintain existing service plans. In the lines above A, the improvement in income is rent recovering as

properties are expected to be let. Line A excludes income gains from price rises. It does not allow for changes in use of reserves, which will offset the rent income recovery. Line A shows the annual deficits are all range from £.9m to £3.7m and demonstrate the need for increases in charges and Council Tax, seeking new income, and increased Government funding.

**Row B:** This shows the budget after the change in reserve use year on year. Positive figures for the reserve line above mean we are using less reserves. The Council is due to use £2.2m of reserves in 2025/26, usage fall by £0.6m in 2026/27. The reductions in reserve use are mostly due to rent income recovering, so reserves are no longer needed to offset income losses. Also, contributions to capital fall. The Council finances are only sustainable in the long term if reserve use in one year is offset by contributions to reserves in another. Section 8 has commentary from the s151 officer on this matter.

**Row C:** Shows the budget gaps remaining after expected loss of Government funding discussed in Section 2. Obviously, the Government funding cuts increase the size of the Council deficits. The loss of funding is not yet known and will not be until later in 2025. The assumptions on funding are based on the Government statements which are disadvantageous to Council's like Chelmsford (not deprived and with growing taxbases).

**Row D:** Represents the forecast annual budget shortfalls. These annual deficits are large, equivalent to around 5% of the Council staff costs.

**Row E:** This shows the cumulative deficit if no solutions to the shortfalls are found. For example, if the 2026/27 gap is funded from reserves, then by 2027/28 we need £6.307m of reserves to fund the overall cumulative shortfall for that year.

It important to note that all reserves would be used up by the end of 2028/29 if no action were taken to balance the budget.

The budget gaps are significant, and Section 8 of this report contains the s151 officers view on the estimates and financial outlook.

**The potential range of budget forecast (scenarios)**

There are many items in the forecast (and budget) where there is considerable uncertainty. In table 18 below, consideration is made of the range of possible upside variations to the outcomes. This should be seen as one end of the range; it is highly unlikely all the positive changes would occur. Table 19 takes a pessimistic view of the outcome to provide the other end of the range.

Table 18

Upside Case	New	New	New	New
	Forecast	Forecast	Forecast	Forecast
	2026/27	2027/28	2028/29	2029/30
	£000s	£000s	£000s	£000s
Annualised Budget Gap forecast	2,579	3,728	3,479	898
Remove Government funding loss	-930	-910	-910	0
Housing Benefit Subsidy loss on Temporary Accommodation	-750	0	0	0
Chelmer Waterside	0	TBC	TBC	TBC
Replacement of Crematorium, financing cost	0	0	0	0
Higher take up of garden waste subscription	-450	0	0	0
National Living wage increases restricted to 2%	-400	-400	-400	-400
Lower inflation - on service costs	-300	-300	-300	-300
<b>Annualised Gap</b>	<b>-251</b>	<b>2,118</b>	<b>1,869</b>	<b>198</b>
<b>Cumulative gap</b>	<b>-251</b>	<b>1,867</b>	<b>3,736</b>	<b>3,934</b>

Table 19

Downside Case	New	New	New	New
	Forecast	Forecast	Forecast	Forecast
	2026/27	2027/28	2028/29	2029/30
	£000s	£000s	£000s	£000s
Annualised Budget Gap forecast	2,579	3,728	3,479	898
Higher Government Funding Loss	500	0	0	0
Housing Benefit Subsidy loss on Temporary Accommodation	0	0	0	0
No higher take up of garden waste subscription	0	0	0	0
Chelmer Waterside	0	0	0	0
Replacement of Crematorium, financing cost	0	500	0	0
National Living wage increases at 5%	400	400	400	400
Inflation unchanged on service costs				
<b>Annualised Gap</b>	<b>3,479</b>	<b>4,628</b>	<b>3,879</b>	<b>1,298</b>
<b>Cumulative gap</b>	<b>3,479</b>	<b>8,107</b>	<b>11,986</b>	<b>13,284</b>

The range of the forecast suggests there could be a surplus in 2026/27 of £0.251m or a deficit of £3.479m, the central case being £2.579m. The upside case, a surplus of £0.251m, is, unfortunately, the least likely scenario given the Government's approach to funding.

It continues to be the case that the positive financial benefits from the Chelmer waterside development are not included in the forecast. Once a development agreement/disposal has been agreed, the forecast can be updated. A reduction in revenue deficit in around 2028/29 as interest could be earned on any proceeds or there could be reductions in costs such as TA.

Over the period ending March 2030, the central case sets out that the Council will need to plan to find additional income and budget reductions totalling £10.7m.

As clearly evidenced by events over the last few years, forecasts are fallible, and the financial strategy must manage the unexpected. **Section 8** identifies the view of the s151 officer regarding the approach needed to reduce the budget gap and manage the financial risks.

#### **Reserves – 2024/25 Original Budget and Forecast.**

The Reserves are intended to:

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

In 2024/25, £1.1m of the General balance was budgeted to be used to support ongoing expenditure arising from an expectation of a large increase in Temporary Accommodation for the homeless. Additionally in 2024/25, £1.2m was to be used from an income loss reserve to make good the loss of commercial rent income. As stated in the 2024/25 Budget report, these were temporary measures. The 2025/26 budget does not require the use of general fund

balance to fund ongoing expenditure, however rent is expected to be lower until 2028/29 and so continued use of earmarked reserves to meet that loss is planned. In 2026/27, a reassessment of the ongoing prospective income will take place. Income loss reserve use will cease by 2028/29.

The Council should target a level of approximately £9m of General (unearmarked) reserves whilst recognising that the level of that reserve will fluctuate over time as it is used to manage short-term pressures in the revenue budget. The unearmarked reserves will be reviewed during 2025/26 to determine appropriate levels, reflecting prevailing risks.

Section 8 identifies the issues that the S151 Officer considers when setting the reserve levels. A key consideration in setting the reserves has been providing sufficient funds to alleviate in the short term the impact of changes to Government funding. Some £4.5m is in the Business rate retention reserve and should be available to cover two years' worth of the £2.25m annually used to fund services.

The level of reserves will be reviewed during 2025/26 to determine what are the main risks and costs the Council needs to manage. This will potentially include setting aside funding for the one-off costs of local government re-organisation.

**Table 20** over the page shows the transfers between and budgeted/projected use of reserves. They are further discussed in Section 8 by the s151 officer.

Table 20

Usable Reserves Projections

	2024/25 Budget and forecast					2025/26 (Forecast)				2026/27 (Forecast)				2027/28 (Forecast)				2028/29 (Forecast)							
	£000s	Budget Transfers £000s	Original £000s	Updated Forecast adj.s. £000s	£000s	£000s	Transfers £000s	-Use/ contribution £000s	£000s	£000s	£000s	Transfers £000	-Use/ contribution £000s	£000s	£000s	£000s	Transfers £000	-Use/ contribution £000s	£000s	£000s	Transfers & Movement s £000	£000s	£000s	£000s	
<b>Earmarked</b>																									
<b>Corporate Investment</b>																									
Cultural Support 'Fund'	57				57	57			57	57				57	57				57	57					57
Local Development Framework Growth fund	1,040		-225	-50	765	765	15	-250	530	530		-150	380	380		-80	300	300	300	300		-100	200	200	
	0				0	0			0	0			0	0			0	0	0	0				0	
Carry forwards & Supplementary estimate Reserve	0	300	-300	273	273	273	27	-300	0	0	300	-300	0	0	300	-300	0	0	0	0	300	-300	0	0	
Housing Initiatives	0				0	0			0	0			0	0			0	0	0	0				0	
DPO Reserve	79		-8		71	71			71	71			71	71			71	71	71	71				71	
Hylands House Reserve	3				3	3			3	3			3	3			3	3	3	3				3	
Master Plan Income	0				0	0			0	0			0	0			0	0	0	0				0	
	1,179	300	-533	223	1,169	1,169	42	-550	661	661	300	-450	511	511	300	-380	431	431	431	431	300	-400	331	331	
<b>Capital Programme</b>																									
Project Evaluation Reserve	175	37		-35	177	177			177	177			177	177			177	177	177	177				177	
Sinking Fund for let property	50		50		100	100		50	150	150		50	200	200		50	250	250	250	250		50	300	300	
Infrastructure fund	715			-715	0	0	500		500	500			500	500			500	500	500	500				500	
Chelmsford development	2,024		-257	-644	1,123	1,123		-806	317	317		-51	266	266		-97	169	169	169	169		230	399	399	
	2,964	37	-207	-1,394	1,400	1,400	500	-756	1,144	1,144	0	-1	1,143	1,143	0	-47	1,096	1,096	1,096	1,096	0	280	1,376	1,376	
<b>Risk Management</b>																									
Insurance	898		-50		848	848		-50	798	798			798	798			798	798	798	798				798	
New Investment Reserve	0			1,041	1,041	1,041			1,041	1,041			1,041	1,041			1,041	1,041	1,041	1,041				1,041	
Pension deficiency	1,057	183			1,240	1,240			1,240	1,240		-534	706	706			706	706	706	706				706	
Park and Ride	258				258	258			258	258			258	258			258	258	258	258				258	
Vehicle Fuel Reserve	604	-280	-25	25	324	324	-24		300	300			300	300			300	300	300	300				300	
Utility Costs Reserves	1,573		-682	682	1,573	1,573	-73		1,500	1,500			1,500	1,500			1,500	1,500	1,500	1,500				1,500	
Business Retention reserve	6,491			-1,950	4,541	4,541			4,541	4,541			4,541	4,541			4,541	4,541	4,541	4,541				4,541	
Rent income (temporary loss of tenant)	0	2,363	-1,231	153	1,285	1,285	1,537	-1,118	1,704	1,704		-1,250	454	454		-120	334	334	334	334				334	
	10,881	2,266	-1,988	-49	11,110	11,110	1,440	-1,168	11,382	11,382	0	-1,784	9,598	9,598	0	-120	9,478	9,478	9,478	9,478	0	0		9,478	
<b>Total Earmarked Reserves</b>	<b>15,024</b>	<b>2,603</b>	<b>-2,728</b>	<b>-1,220</b>	<b>13,679</b>	<b>13,679</b>	<b>1,982</b>	<b>-2,474</b>	<b>13,187</b>	<b>13,187</b>	<b>300</b>	<b>-2,235</b>	<b>11,252</b>	<b>11,252</b>	<b>300</b>	<b>-547</b>	<b>11,005</b>	<b>11,005</b>	<b>11,005</b>	<b>11,005</b>	<b>300</b>	<b>-120</b>	<b>11,185</b>	<b>11,185</b>	
<b>Unearmarked</b>																									
<b>General Fund &amp; Contingency</b>	<b>14,607</b>	<b>-2,603</b>	<b>-1,515</b>	<b>1,407</b>	<b>11,896</b>	<b>11,896</b>	<b>-1,982</b>	<b>-383</b>	<b>9,531</b>	<b>9,531</b>	<b>-300</b>	<b>0</b>	<b>9,231</b>	<b>9,231</b>	<b>-300</b>	<b>-305</b>	<b>8,626</b>	<b>8,626</b>	<b>8,626</b>	<b>8,626</b>	<b>-300</b>	<b>0</b>	<b>8,326</b>	<b>8,326</b>	
<b>Recommended level £9m</b>																									
	14,607	-2,603	-1,515	1,407	11,896	11,896	-1,982	-383	9,531	9,531	-300	0	9,231	9,231	-300	-305	8,626	8,626	8,626	8,626	-300	0	8,326	8,326	
<b>Total reserves</b>	<b>29,631</b>	<b>0</b>	<b>-4,243</b>	<b>187</b>	<b>25,575</b>	<b>25,575</b>	<b>0</b>	<b>-2,857</b>	<b>22,718</b>	<b>22,718</b>	<b>0</b>	<b>-2,235</b>	<b>20,483</b>	<b>20,483</b>	<b>0</b>	<b>-852</b>	<b>19,631</b>	<b>19,631</b>	<b>19,631</b>	<b>19,631</b>	<b>0</b>	<b>-120</b>	<b>19,511</b>	<b>19,511</b>	

The forecast for 2029/30 is a decline to £8.026m of General Fund Balance.

<b>Reserves</b>	<b>Purpose</b>	<b>Delegation</b>
Cultural Support 'Fund' Chelmsford development	To contribute to Cultural Services costs To support the ongoing development of the Chelmsford City area.	Relevant Director & Cabinet member Section 151 & cabinet member for a Fairer Chelmsford
Infrastructure Provision	To manage the risk of Capital costs becoming chargeable to revenue	Section 151 & cabinet member for a Fairer Chelmsford
Growth fund	Funding Held for Strategic Planning issues	Relevant Director & Cabinet member
Insurance	To meet losses and policy excesses where more appropriate to insure internally than externally.	Relevant Director & Cabinet member
Investment Reserve	To manage the fluctuations in value of the Council's investment in Pooled funds	Used at Outturn as part of accounts closure. S151 officer
Local Development Framework	To meet expenditure on the LDF	Relevant Director & Cabinet member
Pension deficiency	To support the financing of the deficiency payments on the pension fund. To fund one off staff costs e.g. flexible retirements, redundancy.	Chief Executive, Director of Corporate Services for one off staff costs.
Park and Ride	Contingency to smooth management contract costs of Park and Ride	Relevant Director & Cabinet member
Hylands House Reserve	To contribute to Hylands House and Estate costs	Relevant Director & Cabinet member
Housing Initiatives	To establish funding to undertake initial stages of projects that may not be capital costs.	Section 151 & Cabinet member
DPO Reserve	The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process	Chief Executive
Project Evaluation Reserve	The capital programme includes scheme which require further feasibility and business work, so this reserve enables production of robust business plans	Management Team
Carry forwards & Supplementary estimate Reserve	These are working balances arising from the carry forward policy, set out in financial regulations. Also to fund a normal level of supplementary estimates	Relevant Director & Cabinet member
Master Plan Income	Carry Forward one off income from sites where the developer has paid for additional support from Council planners. The reserve is used to fund any additional costs of the planning department	Relevant Director & Cabinet member
Vehicle Fuel Reserve	To be used as part of the budget process to alleviate the temporary increase in vehicle fuel	Budget Decision. Cabinet
Sinking Fund for let property	Provide resilience due to the volatility of properties that generate rent income	Budget Decision. Cabinet
New: rent income (temporary loss of tenant)	To be used as part of the budget process and closure of Accounts to alleviate the temporary loss of rent	Budget Decision. Cabinet
General Fund	These are uncommitted working balances to meet the unforeseen needs of the Council.	Normal Supplementary estimate rules (within constitution)
Business Retention Reserve	To meet timing issues arising from Business Rate Retention scheme	To be used by Section 151 as part of the annual closure of the Business Rate account

**Section 8**  
**Section 151 Officer Report – Risks & Robust Budget**

The Council's members have a legal duty to have regard to the comments made by the Council's Chief Financial Officer (s151) in this section (report) when setting the budget.

**Introduction**

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer (s151) to have responsibility for those arrangements.

This section of the budget report is made by the s151 officer and is non-political. It aims to provide members with an understanding of the s151 view of the Council's financial position and fulfils statutory reporting requirements. The factors the s151 has considered are:

- A. Background; Legal Context and Duties of the s151 (Chief Financial Officer)**
- B. Financial Management Arrangements**
- C. Financial Outlook and Risks**
- D. Level of Reserves and Overall Financial Standing**
- E. Conclusion**

**A) Background; Legal Context and Duties of the Chief Financial Officer**

It has been established by legal case law that the s151 is not simply an officer of the authority but holds a fiducial responsibility to the local taxpayers. This duty has been expanded over time by legalisation as discussed below.

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

The Act requires the Council to have regard to the report in making its decisions.

Sections 32 and 43 of the Local Government Finance Act 1992 also require authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.

There are also a range of safeguards in place intended to prevent local authorities from overcommitting themselves financially. These include:

- The CFO's s114 powers, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget.
- The Prudential Code, which has applied to capital financing since 2004/05.
- Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty.'

These safeguards should be further reinforced through detailed scrutiny by the Council's external auditors. There is a requirement on the auditor to form a conclusion on the arrangements that



the Council has in place to secure economy, efficiency, and effectiveness in its use of resources. In addition, the external auditors review the underlying assumptions used to support material estimates within the Council's financial statements, such as valuations of property assets and pension liabilities. Clearly, the nationwide failure of audit firms to carry out timely audits of local authority accounts currently makes this control ineffective.

CIPFA, who, working with Government, provide best practice advice on financial management to local authorities, have made a statement on the role of the Chief Financial Officer in a public sector organisation:

- i) is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest,
- ii) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities, and risks are fully considered, and in alignment with the organisation's financial strategy,
- iii) must lead the promotion and delivery by the whole organisation of good financial management so that public money is always safeguarded and used appropriately, economically, efficiently, and effectively.

To deliver these responsibilities the CFO:

- iv) must lead and direct a finance function that is resourced to be fit for purpose,
- v) must be professionally qualified and suitably experienced.

## **B) Financial Management Arrangements**

When understanding the budget and financial position, Members of the Council need to be aware of the arrangements for financial management and control. These arrangements must not only help manage, but also identify new risks.

In-year expenditure and income monitoring against the budget: the Council has established and continually updates its system of budget monitoring and financial control with reports made to the Audit & Risk Committee (year-end review) and Cabinet. Monitoring reports are produced for Management team and Cabinet members four times a year for revenue and three times for capital. These reports identify variances against the budget, risks to the forecast, and, where possible, actions to alleviate adverse variances. Additionally, high risk and high value revenue income and expenditure are reported monthly to Management and Cabinet members. These arrangements will be reviewed in 2025 in the light of formal feedback from the peer review.

The Council has due regard to both statutory and non-statutory guidance including the Prudential Code for Capital Finance in Local Authorities and related MHCLG Investment Guidance. Additionally, the Council has a long-established Treasury Management and Investment sub-committee. These arrangements ensure cash investments, non-cash investments, and borrowing decisions are made with appropriate information and monitoring taking place.

The Council has a corporate risk register that is kept continuously up-to date and this is used to support financial planning, ensuring risks are identified and managed.

The budget preparation arrangements for 2026/27 will be consulted on during the first half of 2025, with the intention of making constitutional amendments. The approach likely to be

recommended by the s151 is based around a report on the outturn expenditure & income and budget guidelines 2026/27 for Cabinet in July, and another report on a Financial Review that contains updated financial projections for October Cabinet. The review of arrangements will include using the formal feedback from the Peer Review.

Budget planning for future years should cover robustly a longer time frame. The budget process at the Council has been focused on the following budget year due to a lack of clarity regarding the Government's longer term funding intentions for local authorities. The announcement of a three-year funding settlement by Government during 2025 provides the Council with an opportunity to develop longer term financial planning, which should develop solutions for the potential gaps as shown in the forecasts. These forecasts will not necessarily turn out to be accurate but will enable members informally and formally understand the trade-offs necessary to balance the budget over the medium term. This will help manage the prioritisation of resources and plan reserve levels remain sufficient.

Independent Review of Financial Management is undertaken by:

- External Audit. The disclaimers and lateness of external audit reports means the budget is being set without external validation of the reserve balances. The s151 officer does sign off the accounts with confidence that financial reporting (including reserves) is materially correct, but it is of great importance that timely external scrutiny of the accounts takes place.
- The scrutiny of financial management is also undertaken by Internal Audit, the Audit and Risk Committee, the Performance review work of the Overview and Scrutiny Committee, the Treasury Management and Investment Sub-committee, and the Risk Management process.

**Statement by the S151 officer on the robustness of Financial Management arrangements:** I consider the Council's financial management arrangements and planned changes to be sufficiently robust to maintain adequate and effective control of the budget for 2025/26, if the changes to financial planning are implemented.

### **C) Financial Outlook and Risks**

This budget report updates the financial forecast for the next five years in Section 7. It is not a comprehensive reworking but is sufficient to enable members to assess the ongoing sustainability of budget decisions. The forecast should be considered in conjunction with the comments, included in this section from the s151 officer.

Looking ahead, the key financial pressures, risks and how they are managed are discussed below:

- i) Local Government reorganisation. There is insufficient clarity at this early stage to provide any robust analysis. It seems probable that, by the latest of the 1<sup>st</sup> April 2028, a unitary structure will be in place. The Council's finances should be planned to ensure reserve levels remain robust and the new authority is placed in the best opening position. This will be difficult due to need to set aside funding for the one-off costs of implementation such as redundancies and legal & professional advice. Also, it will be challenging to restrict reserve use whilst also trying to defer decisions on service funding levels that may be better made once the new structures are in place. There may be recruitment and retention issues that result in higher spend on agency or interim staff. The potential savings from the new structures are not yet known and will be a factor in the financial plans of the City Council during the

transition. There of course remains the possibility that no reorganisation occurs, but this does look unlikely. The largest risk from reorganisation to the Council's finances will be distraction and reduction in management resource as it will be diverted away from delivering key initiatives and maintaining robust finances.

- ii) Government Funding. The report identifies that Government funding is probably going to be cut, and that best case scenario planning is funding does not fall in cash terms. The report includes in its central assumption a loss of £2.75m of funding phased in by 2028/29. This should be the top end of what is a realistic assumption given the Government's approach. I would like to believe the reduction will be less, but recent government announcements are not encouraging, particularly the view being put forward that reorganisation will result in savings, suggesting a belief that extra funding in those areas affected may not be needed. Given that the forecast is a planning tool, it makes sense for the organisation to identify how to make good funding shortfalls well in advance, so decision making can be effective. Clearly, this is not the same as implementing changes as they would only happen when the position is known. The Reserves are planned to contain £4.5m in the business rate retention reserve to help phase any changes but one off costs for potential Local Government reorganisation may use that funding.
- iii) Housing Service costs: there has been an increase in demand for the Council's homeless services. The projections do show that numbers in Temporary accommodation will continue to rise but plateau in 28/29 and 29/30 due to an expected increase in social housing in those years. However, the damage has been done, with temporary accommodation costs increasing from 7% of the Council's net budget in 2020/21 to nearly 20% in 2025/26. The impact of the Chelmer Waterside development has not been factored in but could reduce numbers in TA in 2028/29 and 2029/30 depending on the site's financial viability.
- iv) Capital financing: the revenue budget contains financing the costs of the capital programme.
- The net cost of financing will rise year-on-year; the main cause being the cost of funding replacement equipment. This has been a recognised issue for many years. This trend should stop around 2030 when most equipment will be funded on an ongoing basis. However, improvements in gathering data on conditions surveys will result in additional costs being identified.
  - The Chelmer Waterside Development has potential financial upsides that have not been included in financial planning. The Council has committed to £43.6m of capital expenditure on this scheme funded in the current financial planning from grants and CIL. However, no proceeds for benefits have been included yet.
  - Crematorium & cemetery. The Council 2025/26 budget and forecasts assume £2.7m of income from this service. This will not continue indefinitely without investment in replacement equipment/facilities. A business case will be made to Cabinet and Council during 2025 identifying the best options for the Council to enable the continuation of this service. The budget for the scheme has been removed from the funded capital programme pending approval of a business case. Until the business case is developed and a decision is made by Council, the central forecast budget is optimistic as it does not include any additional financing costs or loss of income.
- v) Pay: with 3% growth planned for the years after 2025/26, there remains a risk that pay costs could be higher. For the last few years, average pay awards due to inflation

and national living wage have been higher than 3%. A review of the bottom points of the pay grades is under way, which should enable the average pay increases after 2025/26 to be limited to 3% for several years if National Living wage increases are below 6%.

- vi) Energy costs: a reserve of £1.5m is in place to cover temporary increases. The Council has entered into arrangements to forward buy its energy which should reduce the risk of volatility. If further energy price spikes occur, recent experience suggests the reserve should be sufficient to cover that risk for at least a year.
- vii) Rent Income. The Council has a number of commercial properties which have unlet spaces, which traditionally would be expected to be occupied. Its largest commercial office is unoccupied and subject to refurbishment in 2025. There is risk that properties are never fully let, resulting in lost net income of up to £1.1m. The Council will need to reassess the income generating capacity of these properties in 2026. This could result in further increases in the projected budget gaps.
- viii) Fees and Charges. New charges and increases in charges have played a significant role in balancing the 2025/26 budget (some £3m). Most of that extra income comes from garden waste, bereavement, car parking, and leisure services. There may remain some scope for increasing charges beyond 3% in later years, but this is unlikely to be as significant as 2025/26. This judgement is based on potential customer resistance and competition, particularly for Leisure and Bereavement services.
- ix) Garden Waste. This is a new charge for 2025/26 budgeted to generate £1.3m. The financial planning upside scenario in section 7 identifies an indicative £0.45m improvement. During 2025, it will become possible to confirm if there is a higher uptake than budgeted for.
- x) Chelmer Waterside. The redevelopment of the site has stretched the finances of the Council given the overall cost. The approach taken in budget forecasts is extremely cautious as the development and potential multi-million-pound proceeds should make a favourable impact on the Council's finances once achieved. If the development provided an additional hundred units of social housing, this could reduce Council Temporary accommodation costs by up to £1.3m, and for indicative purposes, a £10m receipt could reduce financing costs by £0.5m. The difficulty with any assumption is timing and value of the development could continue to be adversely affected by a changed economic environment. Until there is more clarity, it is best to treat the gains cautiously. This also applies to other sites.
- xi) Other risks. These are many other potential risks, and these will be managed via maintaining unearmarked reserves as near as possible to the £9m target, and where possible, setting aside funding for specific risks where affordable and appropriate.

Based on the factors above, I consider that these budget proposals take due regard to risk, including the financial and economic environment, and that the assumptions within the budget are reasonable and the estimates used for 2025/26 are, in the round, robust.

Section 7 of this report identifies a central case of a £10.7m deficit over the forecast, ending in 2029/30. This should be used as a planning target. I recommend that Management should identify in the first half of 2025/26 for internal discussion potential measures to balance at least the first two years of the forecast deficit. This will provide Cabinet members with clarity over the choices the organisation faces and enable the development of a formally reported financial plan. The plan can be adapted as the true budget position becomes evident each year.

I continue to take the view that the use of reserves to smooth transitions, including to deal with Local Government Reorganisation, an appropriate option for the Council, as long as the reserve levels remain robust.

#### **D) Level of Reserves and Overall Financial Standing**

When looking ahead, the Council's finances are anticipated to be in difficulty, but the 2025/26 budget is balanced and uses reserves only for short-term funding measures such as loss of rent income. The levels of reserves are declining, but they are being used in line with policy. The reserves in 2025/26 currently remain robust and, in the case of the General Balance (unearmarked), above the target I set last year (£9m).

The reserves provide some protection against the need to make decisions too quickly.

Determining the appropriate levels of reserves is a professional judgement based on local circumstances, including the overall budget size, risks, robustness of budget preparation, corporate plans, budget assumptions, earmarked reserves and provisions, and the Council's track record in budget management. It is not possible, given the current budget forecast and lack of certainty over government funding, to reduce the £9m target for unearmarked reserves.

In Section 7, Table 20, the levels of Reserves to the period 2029/30 are shown. It shows a decline in the level of unearmarked reserves. The forecast identifies a reduction to £8m after allowing for transfers and expenditure. However, the key metric is that the unearmarked reserves are not projected to fall below £9m in the current budget year.

The Council holds a number of earmarked reserves to provide for future expenditure such as pension deficit payments; some to guard against specific risks such as insurance, and others to manage income fluctuations (Business Rates Retention income). Further detail on these reserves is contained in Section 7 of the report. The level of these reserves is also falling.

It is worth commenting on three areas where the level of earmarked reserves will need to be reviewed in 2025/26:

- Rent Income reserve (temporary loss); this is being used to support the budget whilst commercial units remain unlet. The funding of this reserve comes from the General Fund Balance, so there is currently no practical way to increase it without the General (Unearmarked) reserve falling below £9m. Once the rent income reserve is exhausted, any rent loss will impact on service funding.
- Business rate Retention reserve: the reserve is used for managing timing differences between income and expenditure on the retention scheme. More importantly, it is expected to hold £4.5m of contingency funds by the end of 2025/26 which can be used to smooth any funding loss from when Business rate retention is reset in 2026/27.
- Local Government reorganisation. I expect there will be a need to establish a new reserve to meet one-off costs. The funding will need to be found from reducing other reserves. This may prove difficult and there is a risk the costs of reorganisation costs will need to be funded from the General balance which will mean it drops below the £9m target.

The amount of reserve use is declining year on year but remains an important part of the funding of the Council.

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

finances and demand on reserves, a multi-year financial plan will be needed to be developed before the assessment can be made again in January 2026.

## **E) Conclusions**

The conclusions this year are remarkably similar to last year's. The budget shortfalls shown in the financial forecasts are increasingly becoming more difficult to manage than previous deficits because:

- Efficiency savings are scarcer given that the Council has been successfully finding ways to meet shortfalls for over ten years.
- Reliance on income generation to balance the budget brings in the longer-term increased risks, such as the potential for customer resistance to increases in charges, or as seen currently, void periods in the Council's property portfolio.
- Government funding remains highly uncertain beyond 2025/26, though the forecast has hopefully identified a realistic basis on which to plan.
- Local Government Reorganisation complicates matters significantly as identified throughout the report.
- An internal plan to resolve the budget gaps needs to be developed. The initial plan should cover at least two years (2026/27 and 2027/28). The plan should enable an informed discussion of the choices need to resolve the budget shortfall.

Taking all of the above into account, as the Council's Chief Financial Officer, I am satisfied that, overall, the budget proposals set out in this report are robust and sustainable and that the level of reserves is adequate to address the financial risk facing the Council in the current year. The longer-term outlook requires a multi-year plan to ensure the budget process remains robust.

Phil Reeves - s151 Officer/Chief Financial Officer

## Section 9 Council Tax & Business Rates

Council tax provides a significant amount (circa 30%) of the Council’s annual income and is a stable income source. The Council has only limited discretion to increase Council Tax as the Government annually sets a threshold which, if exceeded, requires a local referendum.

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

This section identifies the issues arising from Business Rates and Council Tax when setting the Council’s Budget for 2025/26.

### Council Tax Referendums

The Government has announced that Council Tax increases of the greater of 3% or £5 for District authorities will not be subject to a local referendum. The budget includes proposals to increase a band D Council Tax by £6.55 (2.96%) per year, which is within this limit. This generates some £468k extra per year.

### Council Tax & Special Expenses Proposal 2025/26

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 2025/26 is 72,078.49, which is 542.24 higher than last year. The increase in the number of Band D generates an extra £124k.

A summary of the known Council Tax charges from each of the precepting authorities (an average is shown for Parish and Tiers) is shown below in **Table 21a**. The table will be completed for Council, as will the special expenses and lower tier authority tax table 22 at the end of this section.

	2024/25	2025/26	Increase	
	£	£	£	Increase %
Chelmsford City Council	221.52	228.07	6.55	2.96%
Essex County Council	1,522.53			
Police, Fire and Crime Commissioner for Essex	246.42			
Essex PFCC , Fire & Rescue Authority	82.62			
	<hr/>	<hr/>		
Parish and Town Councils (average)	2,073.09	228.07		
	49.05			
<b>TOTAL</b>	<hr/> <b>2,122.14</b> <hr/>	<hr/> <b>228.07</b> <hr/>		

A Council Tax resolution will be drafted for Council upon receipt of the precepts from other bodies.

After allowing for Tax base and the 2.96% increase, some £592k extra income from Council tax can be expected in 2025/26.

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

**Council Tax Surplus or Deficit**

The Collection Fund records the amount of income collected from Council Tax and the Local Council Tax Support scheme costs together with precept payments to principal authorities. These elements will generate a surplus or a deficit which should be considered when determining the Council Tax for the following year. Chelmsford City Council’s share of the Council Tax deficit for payable in 2025/26 is £378k, an adverse variation of £223k.

**Business Rate Surplus or Deficit**

To meet the legal requirements when setting the budget for 2025/26, the Council is required to declare by the 31<sup>st</sup> of January 2025 a Business Rate Retention Surplus or Deficit after submitting a return (NNDR1) to Government. The Business Rate Retention figures contained in this report reflect estimates which will be reviewed on completion of the NNDR1. The figure of importance at this stage of the budget is £2.25m of Business Rate Retention income which will be used to fund ongoing service expenditure in 2025/26. This level of support is achievable in 2025/26 as any surplus from 2024/25 will be held in reserves.

Table 21b Business Rate Surplus of Deficit

<b>The estimated Business Rate retention position for 2025/26 is made up of</b>	<b>£000s</b>
Surplus relating to prior years	TBA
Section 31 grants, which are included elsewhere in the revenue budget	TBA
2023/24 Income above Baseline Business Rate Income	TBA
Business Rate Pool Income	TBA
Total	



**CHARGES TO PARISH AND TIER COUNCIL AREAS**

**Table 22**

PARISH TIER COUNCIL	2024/25								2025/26							
	← 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) £	
Boreham	102,126	-55	102,071	186.66	5.85	192.51	71.01	263.52								
Broomfield	222,000	23	222,023	186.66	29.16	215.82	104.13	319.95								
Chelmer	219,161	-47	219,114	186.66	41.58	228.24	64.08	292.32								
Chelmsford Garden	217,723	-92	217,631	186.66	24.75	211.41	60.66	272.07								
Chignal	7,000	0	7,000	186.66	37.80	224.46	21.51	245.97								
Danbury	381,834	-109	381,725	186.66	2.61	189.27	155.79	345.06								
East Hanningfield	40,345	12	40,357	186.66	27.00	213.66	73.80	287.46								
Galleywood	124,332	50	124,382	186.66	34.83	221.49	59.31	280.80								
Good Easter	10,710	5	10,715	186.66	22.23	208.89	58.41	267.30								
Great & Little Leighs	42,000	7	42,007	186.66	40.14	226.80	36.09	262.89								
Great Baddow	479,669	5	479,674	186.66	9.81	196.47	87.66	284.13								
Great Waltham	104,027	-22	104,005	186.66	27.36	214.02	109.44	323.46								
Highwood	40,030	-3	40,027	186.66	24.66	211.32	120.96	332.28								
Little Baddow	52,296	-38	52,258	186.66	24.21	210.87	59.76	270.63								
Little Waltham	55,352	8	55,360	186.66	32.94	219.60	99.72	319.32								
Margaretting	12,420	3	12,423	186.66	24.66	211.32	30.69	242.01								
Mashbury	0	0	0	186.66	22.23	208.89	0.00	208.89								
Pleshey	13,250	-3	13,247	186.66	22.23	208.89	94.05	302.94								
Rettendon	48,427	-17	48,410	186.66	30.60	217.26	57.96	275.22								
Roxwell	22,500	-6	22,494	186.66	1.71	188.37	46.98	235.35								
Runwell	142,022	10	142,032	186.66	22.77	209.43	70.56	279.99								
Sandon	40,360	-18	40,342	186.66	27.36	214.02	52.29	266.31								
South Hanningfield	99,640	4	99,644	186.66	23.94	210.60	81.00	291.60								
South Woodham Ferrers	449,200	-66	449,134	186.66	29.34	216.00	73.44	289.44								
Springfield	227,240	20	227,260	186.66	42.66	229.32	78.30	307.62								
Stock	51,639	22	51,661	186.66	23.85	210.51	41.94	252.45								
West Hanningfield	31,212	-14	31,198	186.66	24.03	210.69	56.43	267.12								
Woodham Ferrers & Bicknacre	100,377	55	100,432	186.66	24.12	210.78	76.05	286.83								
Writtle	172,378	-17	172,361	186.66	4.05	190.71	85.32	276.03								
City Centre (Non-Parished Area)				186.66	42.21	228.87	0.00	228.87								
<b>TOTALS</b>	<b>3,509,270</b>	<b>-281</b>	<b>3,508,989</b>													

To be calculated on receipt of the last Parish precept

## Section 10 Revenue Budget

### Revenue Service Budgets

This section contains:

1. Subjective Analysis of the Council Revenue Budget (**Table 23**)
2. A summary of the budget (**Table 24**)
3. Service Budgets (Expenditure and Income) for 2025/26 (**Table 25**)

**Table 23 - SUBJECTIVE ANALYSIS OF THE REVENUE BUDGET**

2023/24 Actual £000s		2024/25 Original £000s	2025/26 Estimate £000s
	<b>EXPENDITURE</b>		
42,998	Employees - Salaries	41,397	45,597
574	Employees - Other	223	163
10,385	Premises	11,026	9,864
16,013	Supplies and Services	18,735	17,698
2,686	Transport and Plant	2,373	2,532
4,458	Third Party Payments	2,394	2,958
36,317	Benefit Payments	35,377	36,693
<b>113,431</b>	<b>TOTAL CONTROL EXPENDITURE</b>	<b>111,524</b>	<b>115,505</b>
	<b>INCOME</b>		
-34,523	Government Grants	-31,780	-36,330
-5,334	Other Grants and Reimbursements	-4,241	-4,490
-2,342	Sales	-1,773	-2,241
-26,980	Fees and Charges	-28,512	-31,303
-11,992	Rents	-14,350	-13,049
-2,009	Other	-1,725	-1,733
<b>-83,180</b>	<b>TOTAL CONTROL INCOME</b>	<b>-82,380</b>	<b>-89,145</b>
<b>30,251</b>	<b>NET CONTROL EXPENDITURE</b>	<b>29,144</b>	<b>26,359</b>
	<b>INTERNAL RECHARGES</b>		
27,964	Service Management and Overheads	29,322	30,988
-28,356	Recharges	-29,551	-31,239
<b>-392</b>		<b>-229</b>	<b>-252</b>
<b>29,859</b>	<b>SERVICE EXPENDITURE</b>	<b>28,915</b>	<b>26,107</b>
	<b>OTHER ITEMS</b>		
-2,884	Interest Receivable & Investment Income	-1,010	-925
1,074	Interest Payable & MRP	1,990	2,460
-500	Net Business Rate Retention Impact	-2,250	-2,250
889	Direct Revenue Financing of Capital	316	1,188
<b>-1,421</b>		<b>-954</b>	<b>473</b>
	<b>USE OF RESERVES AND BALANCES</b>		
-3,336	Contributions - from / to Earmarked Reserves	-2,728	-2,474
-2,404	Contributions - from / to Unearmarked Reserves	-1,515	-383
<b>-5,740</b>		<b>-4,243</b>	<b>-2,856</b>
<b>22,700</b>	<b>BUDGET REQUIREMENT</b>	<b>23,718</b>	<b>23,724</b>
	<b>LESS GOVERNMENT SUPPORT</b>		
-7,675	Collection Fund (Surplus) / Deficit	-8,026	-7,664
193		156	379
<b>15,219</b>	<b>CALL ON COLLECTION FUND</b>	<b>15,847</b>	<b>16,439</b>

**TABLE 24 - SUMMARY OF REVENUE ESTIMATES**

2024/25 Original Estimate £'000	Original Estimates 2025/26	2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
424	Chief Executive	443	0	443
208	Leader - Corporate Management & Democratic Representation	859	-305	553
916	Cabinet Deputy for Cultural Services	4,635	-3,611	1,024
482	Cabinet Deputy for Economic Development & Strategic Projects	697	-184	513
7,713	Cabinet Deputy for Support Services	8,242	-297	7,945
-4,740	Cabinet Deputy for Sustainable Transport	2,942	-8,589	-5,647
2,902	Cabinet Member for a Greener Chelmsford	11,036	-7,366	3,670
9,350	Cabinet Member for a Safer Chelmsford	18,016	-10,802	7,214
1,157	Cabinet Member for an Active Chelmsford	10,457	-10,139	318
3,706	Cabinet Member for Finance	37,538	-33,260	4,278
6,131	Deputy Leader and Cabinet Member for a Fairer Chelmsford	19,598	-14,584	5,014
896	Leader and Cabinet Member for Communications & Engagement	1,040	-8	1,032
29,144	<b>Service Expenditure</b>	115,503	-89,145	26,359
	<b>Other General Fund Items</b>			
-229	- Charges to SEPP			-252
-1,010	- Interest Income			-925
1,990	- Minimum Revenue Provision & Interest Paid			2,460
316	- Revenue Funding of Capital			1,188
-2,250	- Net Impact of Business Rates Retention Scheme			-2,250
27,961	<b>Net Expenditure</b>			26,580
-2,728	Contributions to / -use of Other Earmarked reserves			-2,474
-1,515	Contribution to / -from Balances			-383
23,718	<b>Budget Requirement</b>			23,724
-8,026	Government Support			-7,664
156	Council Tax -Surplus/+Deficit			379
15,847	<b>Income from Council Tax</b>			16,439

## COUNCIL SERVICE BUDGETS

### Chief Executive

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
424	Chief Executive	443	0	443
<b>424</b>	<b>Total</b>	<b>443</b>	<b>0</b>	<b>443</b>

### Leader - Corporate Management & Democratic Representation

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
208	CM & DRM	859	-305	554
<b>208</b>	<b>Total</b>	<b>859</b>	<b>-305</b>	<b>554</b>

### Cabinet Deputy for Cultural Services

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
81	Culture	376	-269	107
21	Theatres	3,244	-3,127	117
814	Museum	1,015	-214	801
<b>916</b>	<b>Total</b>	<b>4,635</b>	<b>-3,610</b>	<b>1,025</b>

### Cabinet Deputy for Economic Development & Strategic Projects

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
482	Economic Development & Implementation	697	-184	513
<b>482</b>	<b>Total</b>	<b>697</b>	<b>-184</b>	<b>513</b>

### Cabinet Deputy for Support Services

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
296	Connected Director	310	0	310
257	Elections	294	-2	292
822	Democratic Services	875	0	875
1,084	Legal and Democratic Services	1,300	-163	1,137
796	Human Resources	923	-68	855
182	Payroll	122	-4	118
3,456	Digital Services	3,601	-60	3,541
820	Customer Services	817	0	817
<b>7,713</b>	<b>Total</b>	<b>8,242</b>	<b>-297</b>	<b>7,945</b>

### Cabinet Deputy for Sustainable Transport

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
11	Park and Ride	310	-319	-9
173	Parking Support	187	0	187
-4,924	Car Parks	2,445	-8,270	-5,825
<b>-4,740</b>	<b>Total</b>	<b>2,942</b>	<b>-8,589</b>	<b>-5,647</b>

### Cabinet Member for a Greener Chelmsford

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
-10	Amenity Green Space & Other Green Infrastructure	204	-206	-2
156	Building Control	646	-366	280
0	Director of Sustainable Communities	184	0	184
-1,872	Cemetery And Crematorium	823	-2,691	-1,868
226	Development Management	2,150	-1,984	166
221	Ground Maintenance - Crematorium	236	0	236
2,818	Ground Maintenance Operations	3,531	-421	3,110
649	Parks & Heritage Customer & Business Support	688	0	688
-74	Parks Events & Activities	1	-78	-77
101	Parks Gardens & Recreation Grounds	140	-50	90
801	Planning Policy	1,469	-519	950
136	Play Areas	136	0	136
-282	Hylands Park & Estate	153	-460	-307
3	Natural & Semi-Natural Green Space	16	-14	2
-3	Outdoor Sports & Playing Fields	378	-402	-24
-89	Local Land Charges	156	-171	-15
120	Tree Inspection & Maintenance	125	-4	121
<b>2,901</b>	<b>Total</b>	<b>11,036</b>	<b>-7,366</b>	<b>3,670</b>

### Cabinet Member for a Safer Chelmsford

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
455	Vehicle Maintenance Workshop	581	-85	496
-441	Trade Waste	1,151	-1,546	-395
1,865	Street Cleaning	2,090	-92	1,998
68	Street Services	105	-35	70
2,389	Waste & Garden Composting	3,107	-1,929	1,178
191	Love Your Chelmsford	197	0	197
59	Market	533	-546	-13
-223	Licensing	215	-371	-156
1,132	Freighter House Customer & Business Support	1,200	0	1,200
380	Freighter House Depot	370	-9	361
-10	Housing Standards	44	-54	-10
14	Pest Control	32	-19	13
212	Public Conveniences	215	0	215
1,557	Public Health & Protection Support	1,830	-103	1,727
33	Public Health Protection	43	-8	35
1,046	Recycling - MRF, General & Food	5,500	-5,851	-351
-4	Scientific	40	-47	-7
30	Health & Safety	30	0	30
96	Highways	71	0	71
0	Animal Welfare	12	-17	-5
336	CCTV	430	-59	371
42	Business Compliance	54	-1	53
123	Community Safety	166	-30	136
<b>9,350</b>	<b>Total</b>	<b>18,016</b>	<b>-10,802</b>	<b>7,214</b>

### Cabinet Member for an Active Chelmsford

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
287	Community Sports & Wellbeing	453	-125	328
375	Chelmsford Sports And Athletic Centre	1,200	-954	246
-85	Cultural Events	0	-135	-135
25	Dovedale Sports Centre	162	-121	41
363	South Woodham Ferrers Leisure Centre	1,450	-1,072	378
135	Hylands House & Visitors Centre	1,631	-1,547	84
-234	Riverside Ice And Leisure	5,311	-6,185	-874
290	Voluntary Grants	250	0	250
	56			
<b>1,157</b>	<b>Total</b>	<b>10,457</b>	<b>-10,139</b>	<b>318</b>



### Cabinet Member for Finance

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
175	Procurement	154	-49	105
146	Insurance & Risk	97	0	97
207	Internal Audit	217	0	217
1,276	Revs and Bens	2,715	-1,214	1,502
-167	Housing Benefit Subsidy	32,109	-31,993	117
959	Finance CM & DRM	1,095	-3	1,093
1,108	Accountancy	1,151	-2	1,149
<b>3,706</b>	<b>Total</b>	<b>37,538</b>	<b>-33,260</b>	<b>4,278</b>

### Deputy Leader and Cabinet Member for a Fairer Chelmsford

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
1,379	Building Services - Properties	1,583	-189	1,394
590	Building Services - Support	619	0	619
283	Energy & Contract Management	300	0	300
23	Housing Needs	27	-11	16
385	Strategic Housing	2,390	-2,304	86
175	Strategic Housing - RDS	175	0	175
541	Property - Support Services	468	-5	463
-3,112	Property Holdings	443	-3,680	-3,237
5,868	Temporary Accommodation	13,593	-8,395	5,198
<b>6,131</b>	<b>Total</b>	<b>19,598</b>	<b>-14,584</b>	<b>5,014</b>

### Leader and Cabinet Member for Communications & Engagement

2024/25 Original Budget £'000		2025/26 Estimated Spend £'000	2025/26 Estimated Income £'000	2025/26 Net Estimate £'000
896	Marketing & Communication	1,040	-8	1,032
<b>896</b>	<b>Total</b>	<b>1,040</b>	<b>-8</b>	<b>1,032</b>

## Section 11 Capital Budget

### Capital Budgets

This section contains:

- Revisions to Existing Approved Capital Schemes – Details in **Table 26** and **Table 27**
- Revisions to the Asset Replacement Programme 2024/25 and proposals for new budgets for 2025/26 and 2026/27 – Details in **Table 28** and **Table 29**
- The proposal to establish a provision for increases in asset prices with a delegation to the S151 Officer to use provision as required – Details in **Table 28**

### Existing Approved Capital Schemes

Project Officers have been monitoring schemes and the updated budgets in Table 28 reflect the latest estimated cost information. In addition to Project Officers monitoring the current schemes, a full review of approved schemes that have not yet commenced was undertaken by Management Team. The premise of this review was to delay or remove as much of the capital programme as possible to reduce the ongoing revenue costs of financing. Removing or delaying these schemes will delay or reduce the requirement to borrow as it potentially also frees up resources that can be applied to alternative schemes. The results of the review, a reduction of £7.794m, have been endorsed by Informal cabinet and are detailed in Table 28 and 29 (see scheme numbers 34 £1.094m Housing Initiatives Pooled Funds for future schemes and scheme number 47 £6.7m Cemetery and Crematorium Infrastructure). These schemes have been moved to the 'Unfunded Priorities List'. It should be noted that it is likely that, following submission of a business case, the Crematorium infrastructure scheme will need to be included in a future programme. The total estimated cost of the programme is £127.876m.

A summary of variations for the current approved total scheme costs across all years is a net increase of £12.962m. The majority of this is an increase of £17.5m for S106 funded schemes where a funding agreement is already in place, £3m increase funded by government grant, and the removal of £7.8m to the Unfunded Priorities list mentioned in the paragraph above. Details of the £12.962m net increase are shown in **Table 26** with further details in **Table 27** where those variations are more than £25k. Schemes included on the Council's Unfunded Priorities List will be kept under review for consideration as to whether they will be added back into the programme as the schemes become affordable. The Unfunded Priorities List can be found in Annex 1 of The Capital, Treasury Management and Investment Strategies 2025/26.

As part of the amendments to programme it is proposed to use £110k from scheme no.36, the pooled funds for 'Housing Initiatives Future Schemes to be Developed' for the refurbishment of Sandford Mill House, a vacant three-bedroom property in the Council's property portfolio, to enable it to be used for temporary accommodation. This is in addition to the previously approved grant of £1m to the YMCA. The remaining unallocated balance will be £4.76m

It should also be noted that the programme assumes following a request from CHP, Scheme no.37, the S106 grant funding, be redirected from the previously approved site at Hoe Lane, Rettendon which is unable to progress, to Pyms Road, Galleywood, which is ready to start on site. Officers support this request.

Capital scheme costs have not always been assessed and approved on the latest costs and there is a risk that costs could increase above estimates when tenders are undertaken. Before commencing, schemes should be reviewed for affordability and outcomes and referred for additional approval where necessary. A review of any un-started capital schemes will be undertaken during 2025/26.

#### Asset Replacement Programme

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

Council is requested to approve the latest forecast cost of the current year plus two additional years (2025/26 and 2026/27). This will enable more flexibility for the service to order assets with long lead in times (some specialist vehicles can have a year lead in time for delivery).

An estimated overall cost of the asset replacement programme will be kept under review for future years for forward planning purposes to enable the monitoring of the resource position. It is also proposed that a new capital provision is created which can be used to cover increases in prices during the approval period up to the 31<sup>st</sup> March 2027. It is requested that use of this provision is delegated to the Section 151 Officer.

All Service Managers are requested to challenge the need for scheduled replacements to take place, with a view to either removing or delaying the spend. Section 6 highlighted the requirement for borrowing against short term assets due to be purchased in 2025/26 and the impact on the revenue budget of borrowing against short life assets.

#### Asset Replacements

**Table 28** provides details of the asset replacement programme. It shows the forecast cost for three years, 2024/25, 2025/26 and 2026/27. The forecast for 2024/25, 2025/26 and 2026/27 was £16.402m. Approval is now sought for all three years and is forecast as a total of £16.543m. This is a net increase to the previously forecast spend for the same period of £0.141m.

**Table 29** provides further details for those variations more than £25K over the three-year period.

#### Capital and Revenue Resources

The Council funds its capital programme from leasing, third party and developer contributions, government grants, capital receipts, revenue contributions, and borrowing. The Capital, Treasury Management and Investment Strategies 2025/26 identifies the capital resources position and the Prudential Indicators. The Medium-Term Financial Forecast in **Section 7** identifies the revenue budget position allowing for financing costs.

Table 26

		<b>CAPITAL SCHEMES</b>		<b>VARIATION IN TOTAL CAPITAL SCHEME COSTS</b>					
		Latest Approved Budget - Approved October 2024 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Spend to 31/03/2024		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
	<b>LEADER</b>								
	<i>Economic Development and Special Projects (deputy)</i>								
32	1 Public Realm Wayfinding Signs Phase 3	150		150		150	No	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC to approve scheme.	
389	2 Chelmsford Flood Resilience Programme	4,833	0	4,833		4,833	Business case to be developed	This is the unspent budget from the withdrawn Environment Agency (EA). A new programme of works will be brought back to Cabinet at a later date. Agreement for S106 grants to be paid over to the EA.	
4,781	3 Public Realm Tindal Square Design and Construction	160	4,874	5,034		5,034	Completed - final account for works agreed	Approved at Council February 2018. The design works were completed 2020/21. Additional £320k approved by Cabinet June 2020 for design and tender to be funded from S106. Report taken to Cabinet October 2021 and urgency letter requested for approval of the agreed scheme an additional £3.358m. Additional £485k approved at October 2022 Cabinet. Additional funding from ECC £450k. Additional budget approved February 2024 £339k. Update May 2024 - agreement reached on final account settlement. Additional budget £307k required to be funded from CIL and ECC have agreed in principal to an additional contribution of £65k approved Annual Financial Review October 2024	
18,311	4 Chelmer Waterside Infrastructure (HIF) - Grant Funded	15,500	28,130	43,630		43,630	No	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing. £375k approved July 2022 Council for increased design fees and appointment of Project Manager. As noted on previous reports to Cabinet and Council, the cost of scheme is expected to increase significantly above the approved budget. A £9m increase was previously discussed and officers believe it may be materially higher when a report is made Council in July for a decision as to how to progress the works. An additional £16.410m was approved by Council in July 2023.	

Net Spend to 31/03/2024		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
4,326	5 S106 Beaulieu Park Station	3,017	2,064	5,081	16,917	21,998	Unspecified	The expenditure on this scheme will be funded by S106. Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. £2.917m approved at February Council 2018. £514k approved Council Feb 2021. Additional S106 collected or due to be collected for Beaulieu Station and agreement to pay staged payments over to ECC towards cost of station.
70	6 UK Shared Prosperity Fund - Various Grant Funded Schemes	346	-276	70		70	Yes	Approved by Council February 2023. Three year funded programme commenced 2022/23.
84	7 Rural England Prosperity Fund- Supporting Businesses and Communities	400		400		400	Yes	Approved by Council February 2023. Two year funded programme commencing in 2023/24.
55	8 Automatic Floodgates and Provision of Locks - Feasibility		107	107	-52	55	No	Budget approved September 2020 Cabinet. Feasibility completed and remaining budget vired from Rivers and Waterways Improvements.
51	9 Civic Offices Improvement Programme	460	11	471		471	Under Review	Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme. October 2023 £31k vired from replacement scheme. November 2024 £20k vired to Coval Lane Co Working Space scheme.
	10 Coval Lane Co Working Area		296	296		296	New Scheme	Approved November 2024 Cabinet. Part funded by £276k UK prosperity Grant.
102	11 Green Initiatives Phase I	500	-182	318		318	Business Cases to be Developed	Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred schemes. £102k vired towards cost of electric vehicle - approved February 2023. October 2023 £43k vired to fund additional cost of electric sweepers. 2023/24 £37k budget transferred to revenue in relation to spend not capital.
	12 Green Initiatives Fund Phase 2	6,500	-3,100	3,400		3,400	Business Cases to be Developed	Approved in principal Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets. October 2023 Programme reviewed for affordability, budget reduced.
64	13 CIL Integrated Cycling Infrastructure Grant	100		100		100	No	CIL funding approved at meeting of the CIL Panel 23/1/2020.
	14 CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500	Dependent on Third party	Forward funding grant to ECC to be made 2021/22. Approved Council May 2021. Still awaiting agreement from ECC for payment to be made.
	<i>Sustainable Transport (deputy)</i>							
	15 High Chelmer Car Park Lifts	355		355		355	Yes	Approved by Council February 2023. Scheduled for 2025/26.

Net Spend to 31/03/2024		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
16	High Chelmer car Park Waterproofing Levels 11,12,13	500	350	850	-50	800	Brought Forward to 2024/25	Approved by Council February 2023. Scheduled for 2025/26. Works have become urgent and needs to be rescheduled to 2024/25. Additional £350k approved by Council February 2024.
17	High Chelmer MSCP Improvement Works	148		148	-54	94	No	Approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP.
18	Fairfield Road Car Park Resurfacing and Relining	84		84	-25	59	Yes	Approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP.
19	Moulsham Street Car park Resurfacing			0	79	79	Yes	Request for funding to be redirected to additional car park
	<b>ACTIVE</b>							
	<u>Leisure and Heritage</u>							
20	Dovedales - Grant for Works	28	-28	0		0	Budget Vired	Approved at Council February 2020 and programmed for 2020/21. To be reviewed with potential refurbishment scheme in 2024/25. Budget vired to Dovedales refurbishment scheme November 2024.
118	21 Dovedales Sports Centre Refurbishment	1,464	670	2,134		2,134	Scheduled for 2025/26	Budget approved Council March 2022. Delegated authority to the Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Safer and Greener Chelmsford. October 2023 scheme deferred to 2025/26 although work will progress on design. Scheme approved by Urgency November 2024 additional £710k - £644 works and £66k on equipment (see replacement schedule)
22	South Woodham Ferrers Pool Works and Plant	275	60	335		335	Yes	Approved at Council February 2023. Scheduled for 2024/25. October 2023 Scheme deferred to 2025/26 pending outcome of application for Sport England Funding. Additional £60k budget approved by Council February 2024. £233k Sport England grant awarded and scheme reprogrammed to 2024/25 due to spend date of grant.
71	23 S106 Strategic Borough Sports		71	71	516	587	Unspecified	Runwell Sports and Social Club grant to cover costs of scheme. Funding agreement in place.
24	Hylands House Stable Block Toilets	44	16	60		60	Agreed to Defer to 2024/25	Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24. October 2023 following review deferred to 2024/25. Cost reviewed and £16k additional budget approved February 2024.
25	Hylands House Footpath and Car Park Improved Lighting Scheme	38		38	-38	0	Removed	Approved at Council February 2024. Programmed for 2025/26. Budget removed included in green initiatives.

Net Spend to 31/03/2024		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
	<i>Voluntary and Community Sector Support</i>							
26	CIL St Andrew's Scout Hut Building	80		80	-54	26	<b>Dependent on Third party - Under Review</b>	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019. This grant is currently under review and a report will be taken to propose that some of the grant is redirected to another facility.
27	CIL Grant Chelmsford Society Model Engineers	5		5		5	<b>No - dependent on Third party</b>	CIL funding approved December 2021. Spend approved Council February 2022.
28	CIL Grant Hot Box Live			0	6	6	<b>New Scheme</b>	CIL funding agreed
29	CIL Grant St John's Church				10	10	<b>New Scheme</b>	CIL funding agreed
26	30 CIL Green Initiatives - Various Schemes	15	31	46	10	56	<b>No - dependent on Third party</b>	£100k CIL funding approved December 2021 for green initiatives grant funding. Spend approved Council February 2022. £100k pot is drawn down following approval of applications for funding.
	<i>Cultural Services (deputy)</i>							
3,141	31 Theatres' Modernisation	1,000	2,226	3,226	-25	3,201	<b>Main works complete - final account agreed but still outstanding work items to complete</b>	Approved at Council February 2021. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. An additional £500k was approved November 2021. A further £1.246m was approved by Council in March 2022 following the return of tenders for the works. £500k approved Cabinet October 2022. £20k transferred to revenue as spend did not qualify for capital, budget reduced 2023/24.
	32 Oaklands Museum Staff Room and Kitchen Refit	24		24		24	<b>No - Agreed to Defer to 2026/27</b>	Approved by Council February 2023 and scheduled for 2024/25. October 2023 following review rephased to 2026/27
	33 Oaklands Museum Roof Works	63		63		63	<b>Yes</b>	Approved at Council February 2024. Works scheduled for 2025/26.
	<b>FAIRER</b>							
	<i>Housing Services</i>							
6,707	34 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisition 20 x Houses	7,094		7,094		7,094	<b>Remaining budget removed. Agreed Council February 2024</b>	Original budget approved at Council February 2022 £8.2m and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Budget for purchase of 20 houses. 17 properties purchased remaining budget deferred to 2023/24. Remaining budget to purchase 1 additional property deferred to 2025/26 due to delays in completion. £1.106m budget not required removed and used to establish new pooled fund. £387k budget remaining to purchase house in 2024/25

Net Spend to 31/03/2024		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
13	35	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - acquisition of land	1,300	0	1,300		1,300	Dependent on Third party	Approved £2m at Council February 2020. Delegated authority to Cabinet. Report taken to Council in July and £1.3m budget approved to purchase land for affordable housing. £0.7m not required and used to establish new pooled fund.
	36	Housing Initiatives Future schemes to be developed	6,964		6,964	-1,094	5,870	Business Case to be Developed	October 2023 - Review of housing delivery being undertaken. All unallocated/unspent housing initiatives budgets have been pooled into one single pot, £6.964m which will be used to assist in the delivery of any new policy determined from the review to assist in the delivery of temporary accommodation. Approved Council February 2024. MT review October removed balance £1.094m.
	37	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643	-1,325	318	2	320	Dependent on Third party	Budget approved in principle February 2022 Council. Delegated authority to the Director of Sustainable Communities to decide upon the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Fairer Chelmsford. £318k grant for CHP approved by delegation. £1.325m budget has been removed and the S106 funding redirected to the purchase of land for affordable housing.
35	38	Housing Grant to CNESS	350		350		350	Yes	Approved by Council February 2024 for payment in 2024/25. Initial payment made in 2023/24 to support initiative.
2,270	39	Local Authority Housing Fund Round 2		2,610	2,610		2,610	Yes	Grant awarded and paid over to CHP for acquisition of properties.
	40	Local Authority Housing Fund Round 3			0	2,807	2,807	New Scheme	Grant awarded and will be paid over to CHP for acquisition of properties.
		<u>Corporate Property</u>							
251	41	Land Development Site Investigations - Waterside	365	51	416		416	Programme of works to be determined	Approved Cabinet November 2021. Additional £50k approved by Council February 2024.
478	42	Various Land Sites' Disposal Costs	612	0	612		612	Under review	Approved Council February 2022. Delegated authority to the director to spend within the approved budget. Additional budget approved £120k February 2023 Council. Council report in July decision taken to transfer some smaller sites rather than develop in house, therefore prior spend will need to be transferred to revenue. £255k transferred to revenue 23/24.
3,440	43	Enabling Lockside Growth Area	450	5,506	5,956	200	6,156	In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022. October 2023 delay in purchase of properties now delayed until 2024/25. Acquisition of remaining 3 properties delayed to 2025/26.



Net Spend to 31/03/2024 £000s		Original Approved Scheme Budget £000s	Additional/Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
144	Land Acquisition Cemetery/Crematorium	1,800	2,200	4,000	-800	3,200	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council. October 2023 Potential site identified, surveys for suitability being undertaken, budget adjusted for estimated cost of land Council February 2024.
45	Refurbishment of Commercially Leased Properties - 1 Springfield Lyons	720		720	1,280	2,000	New Scheme	Approved at Council February 2024. Delegation to Cabinet to approve a business case following feasibility and to spend within the approved budget. Works required to enable reletting of property. A new approval will be required by Council following tender exercise.
	<u>Building Services</u>							
46	Civic Centre Ventilation and Roof Works	30		30		30	New Scheme	Approved at Council February 2024. Scheduled for 2024/25.
	<u>Greener Chelmsford</u>							
	<u>Parks and Green Spaces</u>							
47	Cemetery and Crematorium Infrastructure	6,800		6,800	-6,700	100	Move to Unfunded Priorities List	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme. MT review October 2024 - decision to remove scheme to Unfunded Priorities List as uncertainty with scheme and scheme costs,
48	Beaulieu Park Pavilion Refurbishment	57		57		57	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2025/26.
49	Chancellor Park Pavilion Works	46		46		46	No - deferred to 2024/25	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2024/25.
1450	Beaulieu Pavilion Health and Safety Works	33		33		33	No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
51	Lionmede Park Upgrade Tennis Courts	120		120		120	New Scheme	Approved supplementary estimate £120k funded from LTA contribution
52	Rivers and Waterways Improvements	600	-107	493	52	545	No - Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Originally programmed over 3 years commencing 2021/22. Start of three year programme deferred to 2024/25. MT Review October 2024 deferred scheme to 2027/28. £52k vired from underspend on Lockgates Feasibility scheme number 8.
7053	Mass Tree planting and Woodland Creation	4,400	-2,767	1,633		1,633	Reviewed Annually	Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places, S151 Officer and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22. Spend will now occur over longer period to 2029/30. Budget reduced £2.6m reduction reported to Council February 2024. Spend in relation to revenue transferred and budgets reduced annually.

Net Spend to 31/03/2024		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
9	54 CIL Landscape Enhancement Scheme Chignal Road	11		11		11	Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.
	55 CIL Parks and Open Spaces - John Shennan Basketball		10	10	-1	9	Yes	CIL neighbourhood grant application from Moulsham Community Trust approved April 2024.
	Planning							
33	56 Garden Communities Infrastructure Fund		290	290		290	Dependent on Third parties	Various schemes will be grant funded
32	57 S106 Stonebridge Illuminations	37	20	57	7	64	No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k. £14k wired from River can Scheme 2023/24.
2	58 S106 River Can Pathway Lighting Design	10	-8	2	-2	0	No	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k. Scheme not progressing £14k wired to Stonebridge Scheme
81	59 S106 Public Art Channels	21	81	102	6	108	No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021. £2k approved Council February 2024.
	60 S106 Marconi Water Tower	30		30	-30	0	Remove	£30k approved at February Council 2024. MT decision October 2024 to remove scheme.
145	61 CIL Sutherland Lodge Refurbishment	525		525		525	No - scheme now progressing	Approved Council July 2017.
	<b>SAFER</b>							
	Community Safety							
	62 Market Road Conveniences Accessibility	20		20		20	No	Approved by Council February 2023. Scheduled for 2023/24.
99	63 Public Convenience Refurbishment - Admirals and Central Park	168		168		168	Yes	Approved by Council February 2023 £84k each site. Two year programme scheduled to commence 2023/24. Central Park completed £113k. Remaining budget for Admirals Park £55k.
148	64 Community Flood Improvements	184	1	185		185	Works Completed Monitoring to continue	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.

Net Spend to 31/03/2024		Original Approved Scheme Budget	Additional/Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
	Waste Management and Recycling							
533	65 Chelmsford Indoor Market Refurbishment	500	100	600		600	Outdoor works deferred to 2024/25	Approved supplementary estimate February 2018. Scheme design finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling. Estimate reduced by £50k. New budget reported Council February 2020. A further reduction in budget, £50k, was noted by Council in July 2020.
	66 Retail Market Drainage Improvements	31		31		31	Deferred to 2024/25	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.
	67 Retail Market Traders' Conveniences Remodelling	102		102		102	Agreed defer 2026/27	Approved Council February 2023. Scheduled for 2023/24. October 2023 reviewed and deferred to 2026/27.
	68 Retail Market Canopy Roof Liquid System	90		90		90	Deferred to 2026/27	Approved by Council February 2024. Works scheduled for 2025/26. MT review October 2024 deferred scheme to 2026/27
	69 High Chelmer MSCP and Retail Market Red Walkway Health and Safety works	14		14	-5	9	Completed	Approved by Council February 2024. Works scheduled for 2024/25,
	70 Freighter House Depot Resurfacing Works	216		216		216	Yes	Approved at Council February 2023. Five year programme scheduled to commence 2024/25.
45,982	<b>Grand Total</b>	<b>72,932</b>	<b>41,982</b>	<b>114,914</b>	<b>12,962</b>	<b>127,876</b>		

<b>Table 27 Reasons for Variations Greater Than £25,000</b>							
	<b>Scheme Description</b>	<b>Latest Approved Budget</b>	<b>Estimated Budget Required</b>	<b>Variation</b>	<b>Variation Type</b>	<b>Percentage Change</b>	<b>Reason</b>
		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>			
5	S106 Beaulieu Park Station 3rd Phase	5,081	21,998	16,917	Increased Budget fully funded	Note 1	Sec 106 agreement funding transferred to ECC for station. Agreement with ECC to contribute towards the station scheme at Beaulieu Park. Additional S106 contributions received or due to be received from developer. The change in this budget is requested to enable the payments to be made to ECC as requested.
8	Automatic Floodgates and Provision of Locks - Feasibility	107	55	-52	Budget vired	-48.60%	Lockgates feasibility completed and scheme in WIP pending decision on next steps. Unspent budget vired to Rivers and Waterways Improvement Scheme see no. 54.
16	High Chelmer car Park Waterproofing Levels 11,12,13	850	800	-50	Reduced Budget	-5.88%	Based on tendered costs for scheme the budget has been reduced.
17	High Chelmer MSCP Improvement Works	148	94	-54	Budget vired	N/A	These schemes were approved in February 2024 and are being funded with a contribution from SEPP. The service manager has reviewed what works are required and proposes a change to the profile of spend.
18	Fairfield Road Car Park Resurfacing and Relining	84	59	-25	Budget vired	N/A	
19	Moulsham Street Car park Resurfacing	0	79	79	Budget vired	N/A	
23	S106 Strategic Borough Sports	71	587	516	Increased budget fully funded	Note 1	This S106 Contribution is being used towards the funding of a new 3G pitch the Runwell Sports and Social Club. There is an agreement to transfer grant payments to Runwell Sports and Social Club to match their expenditure for a new facility. This change in this budget is requested to enable payments to be made as claims are submitted by the club.
25	Hylands House Footpath and Car Park Improved Lighting Scheme	38	0	-38	Budget removed	-100.00%	Following approval it was discovered that a budget provision had also been established within the Green Initiative Fund (GIF).
26	CIL St Andrew's Scout Hut Building	80	26	-54	Reduced Budget	-67.50%	The original scheme is not progressing and an application has been made to pay some of this CIL funding to the church hall where scouts now operate from. Report taken to July Cabinet requesting £26k to be used by St Andrews Church for windows and insulation project. Remaining balance £54k not required.
31	Theatres' Modernisation	3226	3201	-25	Reduced Budget - revenue spend	-0.77%	There is a continuing spend at the theatre to complete the works outstanding at the end of the contract. Some of the spend does not qualify as capital and has been transferred to revenue.
36	Housing Initiatives- Future schemes to be developed	6964	5870	-1094	Budget removed included on Unfunded Priorities	-15.71%	Following a review by MT in October 2024 a decision was taken to reduce the provision being held for future potential schemes. This has been removed and included on the Unfunded Priorities List.
40	Local Authority Housing Fund Round 3	0	2807	2807	Increased budget fully funded	N/A	Additional grant received to be used towards temporary accommodation provision. Likely to be paid over to a housing association.
43	Enabling Lockside Growth Area	5956	6156	200	Increased Budget	3.36%	Due to length of time it is taking to negotiate the acquisitions an additional budget is required to cover consultants and increased property costs,
44	Land Acquisition Cemetery/Crematorium	4000	3200	-800	Budget removed	-20.00%	Following agreement on a site and cost this budget has been reduced.
45	Refurbishment of Commercially Leased Properties - 1 Springfield Lyons	720	2000	1280	Increased Budget	177.78%	Based on early feasibility it is highly likely that this budget will need to be increased. A tender exercise is being undertaken with the tenders due back in January 2025. The service manager will be requesting budget approval once the full costs of the scheme are known,
47	Cemetery and Crematorium Infrastructure	6800	100	-6700	Budget removed included on Unfunded Priorities	-98.53%	As the proposed scheme has not been fully developed and required budget is not known, MT made the decision to remove from approved schemes and include on the Unfunded Priorities List. £100k budget remains to enable the service to continue their early planning works.
52	Rivers and Waterways Improvements	493	545	52	Budget vired	10.55%	Virement from scheme no. 10 Lockgates
60	S106 Marconi Water Tower	30	0	-30	Budget Removed	-100.00%	This proposed acquisition is not progressing .
Note 1	The Percentage change on these schemes have not been shown. These are adjustments required to ensure that there is approval in place to enable future agreed staged payments to continue to be made in line with previously agreed funding.						

**TABLE 28 Replacement programme 2024/25-2026/27**

**APPROVED CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME**

CAPITAL ASSET REPLACEMENT PROGRAMME	2024/25			2025/26			2026/27			Total for period		
	Lastest Approved Budget 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget Requirement for 2024/25	Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget Requirement for 2025/26	Last Forecast 2026/27	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget Requirement for 2026/27	Last forecast 2024/25 to 2026/27	Variance for period + Cost / - Saving	Total Proposed Budget for 2024/25 to 2026/27
SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>LEADER</b>												
<u>Sustainable Transport (Deputy)</u>												
1 Car Park LED Lighting	0	0	0	0	0	0	0	0	0	0	0	0
2 Car Park Pay on Foot Equipment	0	0	0	281	0	281	0	0	0	281	0	281
3 Car Park Vehicles and Equipment	32	0	32	22	0	22	3	0	3	57	0	57
<b>Active</b>												
<u>Leisure and Heritage</u>												
4 Dovedales Replacement Equipment	14	-14	0	206	14	220	3	0	3	223	0	223
5 Riverside Replacement Equipment	156	-7	149	69	8	77	101	17	118	326	18	344
6 Riverside Plant	131	-82	49	73	28	101	43	-20	23	247	-74	173
7 CSAC Replacement Equipment	61	-39	22	3	39	42	16	0	16	80	0	80
8 CSAC Expansion Fitness Room Equipment	0	0	0	45	0	45	0	0	0	45	0	45
9 CSAC Plant	36	-11	25	5	0	5	0	0	0	41	-11	30
10 SWFLC Replacement Programme	31	-28	3	0	28	28	3	0	3	34	0	34
11 SWFLC Plant Replacement	68	-10	58	18	10	28	79	-73	6	165	-73	92
12 SWF 3G Pitch	22	-21	1	400	21	421	0	0	0	422	0	422
13 Hylands House Mechanical and Electrical	36	-25	11	25	0	25	0	0	0	61	-25	36
14 Hylands Pavilion Infrastructure	6	0	6	25	0	25	0	0	0	31	0	31
15 Hylands Pavilion Skins and Linings	0	0	0	0	0	0	0	0	0	0	0	0
16 Hylands Pavilion Equipment	45	0	45	59	-44	15	0	0	0	104	-44	60
17 Hylands House Equipment	61	0	61	0	0	0	7	1	8	68	1	69
<u>Cultural Services (Deputy)</u>												
18 Theatres' Equipment	400	-5	395	742	-504	238	350	371	721	1,492	-138	1,354
19 Theatres' Equipment - Throw Lens	17	1	18	0	0	0	0	0	0	17	1	18
20 Theatres' Plant	16	2	18	6	0	6	0	0	0	22	2	24
21 Museum Equipment and Vehicles	2	0	2	60	-28	32	75	9	84	137	-19	118
22 Museum Platform Lift	9	-9	0	0	0	0	0	0	0	9	-9	0

CAPITAL ASSET REPLACEMENT PROGRAMME	2024/25			2025/26			2026/27			Total for period		
	Lastest Approved Budget 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget Requirement for 2024/25	Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget Requirement for 2025/26	Last Forecast 2026/27	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget Requirement for 2026/27	Last forecast 2024/25 to 2026/27	Variance for period + Cost / - Saving	Total Proposed Budget for 2024/25 to 2026/27
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>SCHEME DESCRIPTION</b>												
<b>Fairer</b>												
<b>Building Services</b>												
23 Civic Centre Heating	0	0	0	32	-32	0	0	0	0	32	-32	0
24 Civic Centre Plant	0	0	0	17	-17	0	0	0	0	17	-17	0
25 Civic Centre Floor Replacements	0	0	0	0	0	0	0	0	0	0	0	0
26 Civic Centre Pool Cars	0	0	0				60	-10	50	60	-10	50
27 Civic Centre Stairlift	0	0	0				9	0	9	9	0	9
28 Print and Post Room Replacement Equip.	5	0	5	14	0	14	0	0	0	19	0	19
29 Street Lighting	29	0	29	21	-21	0	0	0	0	50	-21	29
<b>Greener</b>												
<b>Parks and Green Spaces</b>												
30 Crematorium Equipment	91	-58	33	222	-156	66	0	222	222	313	8	321
31 Crematorium Columbarium	14	0	14	0	0	0	14	0	14	28	0	28
32 Cemetery Plant	0	0	0	0	0	0	0	0	0	0	0	0
33 Play Area Replacements	338	22	360	272	22	294	219	35	254	829	79	908
34 Sports Equipment, floodlights, Irrigation	0	0	0	0	0	0	0	0	0	0	0	0
35 Parks and Sports Grounds Heating Systems	0	0	0	43	-43	0	25	18	43	68	-25	43
36 Parks Replacement Vehicles and Equipment	894	-698	196	231	593	824	173	256	429	1,298	151	1,449
37 Melbourne 3G Pitch	4	0	4	12	0	12	3	0	3	19	0	19
38 Hylands Estate Car Park Equipment	0	0	0	0	0	0	8	0	8	8	0	8
39 Chelmer Park Artificial Pitch	37	0	37	0	0	0	0	0	0	37	0	37
40 Waterhouse Lane Depot Heating	0	0	0	0	0	0	0	0	0	0	0	0
<b>Safer</b>												
<b>Community Safety</b>												
41 CCTV Replacement Equipment	48	0	48	236	-124	112	155	124	279	439	0	439
42 CCTV Various Schemes Sites CIL	3	0	3	0	0	0	0	0	0	3	0	3
43 CCTV Home Office GRIP Funded	0	0	0	0	0	0	0	0	0	0	0	0
44 PHPS Vehicles	0	0	0	0	0	0	27	1	28	27	1	28
45 PHPS Air Monitoring Equipment	70	-58	12	0	58	58	0	0	0	70	0	70
46 Healthy Home Loans	0	6	6	0	0	0	0	0	0	0	6	6
47 Discretionary Loans DFG Funded	0	0	0	0	0	0	0	0	0	0	0	0
48 RIA Loans DFG Funded	0	0	0	0	0	0	0	0	0	0	0	0
49 RIA Grants DFG Funded	0	0	0	0	0	0	0	0	0	0	0	0
50 Disabled Facility Grants (fully externally funded)	1,102	100	1,202	1,102	100	1,202	0	0	0	2,204	200	2,404
51 Housing Standards	0	0	0	0	0	0	0	0	0	0	0	0
52 PLACE	0	0	0	0	0	0	0	0	0	0	0	0

CAPITAL ASSET REPLACEMENT PROGRAMME	2024/25			2025/26			2026/27			Total for period		
	Lastest Approved Budget 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget Requirement for 2024/25	Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget Requirement for 2025/26	Last Forecast 2026/27	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget Requirement for 2026/27	Last forecast 2024/25 to 2026/27	Variance for period + Cost / - Saving	Total Proposed Budget for 2024/25 to 2026/27
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Waste Management and Recycling</u>												
53 Scootas for the Disabled	23	-16	7	3	20	23	0	0	0	26	4	30
54 Town Centre Bins	0	0	0	32	0	32	0	0	0	32	0	32
55 Retail Market Equipment	6	-6	0	0	0	0	0	0	0	6	-6	0
56 Retail Market Plant	0	0	0	0	0	0	0	0	0	0	0	0
57 Depot Telescopic Front loader	93	14	107	0	0	0	0	0	0	93	14	107
58 Route Optimisation System	0	0	0	0	0	0	5	-5	0	5	-5	0
59 Freighter House Plant	0	0	0	11	-11	0	0	0	0	11	-11	0
60 Vehicle Wash	170	0	170	0	0	0	0	0	0	170	0	170
61 Street Cleansing Vehicles	339	-339	0	271	373	644	0	0	0	610	34	644
62 Street Cleansing Equipment	8	-3	5	0	3	3	0	0	0	8	0	8
63 Street Cleansing Crane Vehicle	88	-88	0	0	88	88	0	0	0	88	0	88
64 Street Cleansing Gully Emptier	0	0	0	135	15	150	0	0	0	135	15	150
65 Wet Team Equipment	112	-112	0	0	91	91	0	0	0	112	-21	91
66 Hit Squad Replacements	112	-69	43	0	89	89	0	0	0	112	20	132
67 Refuse Vehicles	75	0	75	1,195	-445	750	230	495	725	1,500	50	1,550
68 Vehicle Maintenance	79	0	79	6	0	6	29	9	38	114	9	123
69 Recycling Vehicles	526	-75	451	894	26	920	1,009	41	1,050	2,429	-8	2,421
70 Recycling MRF	20	0	20	0	0	0	20	0	20	40	0	40
71 Food Vehicles	278	0	278	0	0	0	0	0	0	278	0	278
72 Prov. for Replacement with Electric Veh.	100	-100	0	70	30	100	0	70	70	170	0	170
73 Love Your Chelmsford Van	0	0	0	0	0	0	35	-3	32	35	-3	32
74 Public Convenience Van	0	0	0	0	0	0	25	7	32	25	7	32
<u>Support Services (Deputy)</u>												
75 Digital Services Replacement Programme	10	23	33	31	-19	12	6	0	6	47	4	51
76 Digital Storage	0	0	0	68	0	68	0	0	0	68	0	68
77 Digital Servers	0	0	0	48	0	48	0	0	0	48	0	48
78 Meeting Room Digital Equipment	57	-10	47	0	0	0	0	0	0	57	-10	47
79 Website Upgrade	8	-6	2	0	6	6	139	0	139	147	0	147
80 System Upgrade	9	-9	0	0	9	9	0	0	0	9	0	9
81 System Security	20	-20	0	0	20	20	0	0	0	20	0	20
82 Networks	129	47	176	118	-118	0	0	0	0	247	-71	176
83 Investment in Digital Technology - DPO	368	-240	128	0	240	240	0	0	0	368	0	368
84 Civic Duties Vehicle	0	0	0	0	0	0	0	0	0	0	0	0

CAPITAL ASSET REPLACEMENT PROGRAMME	2024/25			2025/26			2026/27			Total for period		
	Lastest Approved Budget 2024/25	Variance for 2024/25 + Cost / - Saving	Total Proposed Budget Requirement for 2024/25	Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget Requirement for 2025/26	Last Forecast 2026/27	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget Requirement for 2026/27	Last forecast 2024/25 to 2026/27	Variance for period + Cost / - Saving	Total Proposed Budget for 2024/25 to 2026/27
SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
85 Provision for Increases in Prices 2026/27- Proposed Delegation to S151 Officer							0	150	150	0	150	150
<b>Totals</b>	<b>6,408</b>	<b>-1,943</b>	<b>4,465</b>	<b>7,123</b>	<b>369</b>	<b>7,492</b>	<b>2,871</b>	<b>1,715</b>	<b>4,586</b>	<b>16,402</b>	<b>141</b>	<b>16,543</b>

<b>TABLE 28 Replacement Programme 2024/25 - 2026/27</b>				
<b>Programme</b>				
Scheme Description	Variation £000's	Variation Type	Percentage Change	Reason
Riverside Plant	-74	Transferred cost to Condition Survey	-29.96%	Replacements removed and dealt with within condition survey bid
SWFLC Plant Replacement	-73	Rephasing	-44.24%	replacement moved to later year
Hylands House Mechanical and Electrical	-25	Transferred cost to Condition Survey	-40.98%	Replacements removed and dealt with within condition survey bid
Hylands Pavilion Equipment	-44	Rephasing	-42.31%	replacement moved to later year
Theatres' Equipment	-138	Price and rephasing variations	-9.25%	-116K Price variation ; -22K Rephasing to later year
Civic Centre Heating	-32	Transferred cost to Condition Survey	-100.00%	Replacements removed and dealt with within condition survey bid
Play Area Replacements	79	Price Variation & additional spend Grant funded	9.53%	57K Higher replacement cost than budgeted ; 22K funded by grant
Parks and Sports Grounds Heating Systems	-25	Rephasing	-36.76%	Rephasing of sewerage pump to 27/28
Parks Replacement Vehicles and Equipment	151	Price Variation	11.63%	Higher replacement cost than budgeted
Disabled Facility Grants (fully externally funded)	200	Higher Grant Allocation	9.07%	Grant for 2025/26 was higher than budget and this has also been reflected in 2025/26
Street Cleansing Vehicles	34	Price Variation	5.57%	Higher replacement cost than budgeted
Refuse Vehicles	50	Price Variation	3.33%	Higher replacement cost than budgeted
Networks	-71	Consolidation of replacement	-28.74%	Review by service has resulted in lower spend on Networks rephased to be done in one year
Provision for Price Increases	150		100.00%	To establish a provision which will be applied to increases in cost in 2026/27 with a delegation to S151 Officer to spend as required.



Intentionally Blank - The Council Tax Resolution to be reported to Full Council