

# Council Meeting Agenda



**Wednesday 19 February 2025 at 7pm**

**Council Chamber, Civic Centre  
Chelmsford**

## **Membership**

The Mayor – Councillor Janette Potter  
The Deputy Mayor – Councillor Susan Sullivan

## **and Councillors**

C Adutwim, J Armstrong, G Bonnett, N Bugbee, V Canning  
N B Chambers, D J R Clark, H Clark, P H Clark, P Davey  
A E Davidson, C K Davidson, S Davis, J Deakin, S. Dobson, N A  
Dudley, D Eley, K Franks, L Foster,  
J A Frasca, I D Fuller, M C Goldman, S M Goldman, S Hall, J  
Hawkins, R J Hyland, J Jeapes, A M John, G B R Knight, J S  
Lardge, R J Lee, L Mascot, B. Massey, R J Moore, M O'Brien, V  
Pappa, G H J Pooley, S Rajesh, J M C Raven, S J Robinson, E J  
Sampson, S J Scott, T Sherlock, M Sismey, A B Sosin, J E Sosin, M  
S Steel, M Taylor, A Thompson, A G Thorpe-Apps, C R Tron, N M  
Walsh, R T Whitehead, P Wilson and S Young

Local people are welcome to attend this meeting, where your elected  
Councillors take decisions affecting YOU and your City.  
If you would like to find out more, please telephone Dan Sharma-Bird in the  
Democracy Team on Chelmsford (01245) 606523, email [dan.sharma-bird@chelmsford.gov.uk](mailto:dan.sharma-bird@chelmsford.gov.uk), call in at the Civic Centre, or write to the address above.

# MEETING OF CHELMSFORD CITY COUNCIL

19 February 2025

## AGENDA

### 1. Apologies for Absence

### 2. Mayor's Announcements

### 3. Declarations of Interest

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

### 4. Minutes

Minutes of meeting on 18 December 2024.

### 5. Public Questions

To receive questions from members of the public in accordance with Council Rules 10.1 to 10.6.

Any member of the public who wishes to submit a question or statement to this meeting should email it to [committees@chelmsford.gov.uk](mailto:committees@chelmsford.gov.uk) 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting.

### 6. Cabinet Question Time

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

### 7. Reports from the Cabinet on 28 January 2025

#### 7.1 Local Council Tax Support Scheme 2025/26

To consider the attached report from the Cabinet Member for Finance

## 7.2 Capital, Treasury and Investment Strategies for 2025/26

To consider the attached report from the Cabinet Member for Finance

## 7.3 Budget Report 2025/26

To consider the attached report from the Cabinet Member for Finance

## 8. Pay Policy Statement 2025/26

To consider the attached report from the Cabinet Member for Safer Chelmsford

## 9. Annual Report of the Overview and Scrutiny Committee

To consider the attached report from the Overview and Scrutiny Committee on 10th February 2025

**CHELMSFORD CITY COUNCIL**  
**MINUTES OF THE MEETING OF THE COUNCIL**  
held on 18 December 2024 at 7pm

**PRESENT:**

The Mayor, J Potter  
The Deputy Mayor, S Sullivan

Councillors C Adutwim, J Armstrong, G Bonnett, N Chambers, H Clark, P Clark, P Davey, S Davis, A E Davidson, C K Davidson, J Deakin, S Dobson, N Dudley, D Eley, L Foster, K Franks, J Frascona, I D Fuller, M C Goldman, S M Goldman, S Hall, R J Hyland, A John, J Jeapes, B Knight, J Lardge, R J Lee, L Mascot, B. Massey, R J Moore, V Pappa, G H J Pooley, S Rajesh, S Robinson, E Sampson, S Scott, T Sherlock, M Sismey, A B Sosin, J E Sosin, M S Steel, M Taylor, A Thompson, A G Thorpe-Apps, N M Walsh, R T Whitehead, P Wilson, and S Young.

### 1. Apologies for Absence

Apologies for absence had been received from Councillors Bugbee, D Clark, Hawkins, O'Brien, Raven and Tron.

### 2. Mayor's Announcements

The Mayor reflected on the sad passing of former Councillor Ian Wright and serving Councillor Ian Grundy, since the last meeting of the Council. The Mayor referred to Ian Wright's long service between 1999 and 2023 as a Councillor for the Little Baddow, Danbury and Sandon ward and their time as Planning Committee Chair and Vice Chair. The Mayor also reflected on Ian Grundy's long service between 2003 and 2024 as a Councillor for the South Hanningfield, Stock and Margaretting ward and the Cabinet roles that they had held. The Mayor stated that they would both be missed by everyone and their thoughts continued to be with their families. A minute's silence was then held in their memory, before Cllr Whitehead was invited to speak.

Cllr Whitehead informed the Council, that both Ian Wright and Ian Grundy had been long serving stalwarts of the Council who had served their residents well. Cllr Whitehead referred to Ian Wright's time on the Planning Committee, where he had been asked by the opposition to serve as Vice Chair, which showed credit for their valued impartiality on the Committee. Cllr Whitehead reflected on their time working with Ian Grundy as ward members for the last 20 years and that they had become great friends during that time. They also informed the Council about the youthful effect that Ian Grundy had on those they met. Cllr Whitehead thanked Council members for remembering both Ian Wright and Ian Grundy.

The Mayor welcomed Cllr Gillian Bonnett, who had recently been elected as a Councillor for the South Hanningfield, Stock and Margaretting ward. The Council also heard of the extremely busy December that the Mayoralty were having and that by 21<sup>st</sup> December, they would have attended a total of 257 engagements and meetings.

The Mayor also welcomed Cadet Staff Sargeant Ben Mahoney who had been appointed as the Mayor's Cadet. The Mayor presented them with a badge to be worn on their uniform.

### 3. Declarations of Interest

Members were reminded to declare at the appropriate time any interests in the business on the meeting's agenda. None were made.

### 4. Minutes

The minutes of the meeting held on 17 July were confirmed as a correct record.

### 5. Public Questions

No public questions had been submitted for the meeting.

### 6. Cabinet Question Time

The following questions from Councillors were put to members of the Cabinet:

#### Question from Councillor J Jeapes to the Deputy Leader of the Council

This Liberal led Council has declared an 'Environmental Emergency' and a 'Housing Crisis'. In 2019 It inherited extremely healthy financial reserves from the Conservatives and building sites to enable home building.

Whilst the Liberals have vigorously pursued not cutting grass or maintaining designated open space, it does not seem to have applied the same focus in prioritising activity to address the 'Housing Crisis'.

This council has several, I believe 200 brown field sites that have the potential to provide affordable housing. Very specifically, since 2019, it has owned, a brownfield site worth 5million (at the time) adjacent to Riverside.

Given the housing crisis why are we still waiting, nearly 6years later, for this development to take place? Why has all the potential for housing, not been maximised?

Land Values have now fallen and building costs have soared. All this has contributed to the dire financial position the council now faces.

In addition, we now see reserves, 1.3 million spent on a new green field site without planning permission, while the Riverside site remains undeveloped.

Our residents are now footing the bill for this tardy approach with increased costs and the very real prospect of high council tax increases.

In the nearly six years that has passed what has been done to develop the Riverside site?

When will much needed homes be built?

In response the Deputy Leader referred to the answer they had given to a similar question at a recent Cabinet meeting. They stated that there had been various issues after the site had been cleared, including the pandemic, and inflation. They also stated that the economic position had changed dramatically, with stagnating land values and rocketing building costs, which had led to the Council's Property services looking at how to enhance the potential value of the site. They also informed Council that the criticism of not developing the site was at odds with previous criticisms about building on car parks but that it was important to note that the Waterloo Road car park was well used and provided important revenue for the Council. The Council also heard that the modelling carried out by Property Services had revealed that it would not be possible to provide any affordable housing on the site. The Council were also informed that the other brownfield sites referred to were not all owned by the Council and many already did have planning permission, but development could not be forced by the Council. The Council also heard that there were a significant number of planning permissions granted for homes, but that delays could always be an issue.

In response to a follow up question regarding the value of the site not being maximised and when progress would be seen, the Deputy Leader stated that they would not commit to building on the site and previous ideas had been reconsidered in light of financial issues and the important revenue from the car park on the site.

### Question from Councillor R Whitehead to the Leader of the Council

The new Labour Government has announced plans to force District Councils to merge and form new Unitary Authorities.

Will the Leader of the City Council give us his view of these proposals and whether he is in favour of these plans to reduce local control, particularly of planning matters, and whether Essex Local Authority Leaders will be meeting to consider a joint approach to opposing four Unitary Councils in Essex?

In response the Leader of the Council stated that Governments had repeatedly reduced the power and resources of local Councils and that the idea of more locally devolved powers were welcomed. They stated the importance of Central Government listening to the needs of Local Government before making any drastic changes and that if the plans were not thought through properly, power could instead be taken away from local Councils. The Council heard that it was vital for Local Government to stay local with Council's embedded in their communities and they reflected on the recent great feedback on how the Council was run from a peer review. The Council also heard that that they would do all they could to ensure that excellent services continued to be provided to residents. The Leader of the Council also stated that they were meeting

with other Essex Leaders and Chief Executives soon and hoped that would reveal a clearer picture. They also referred to how proud they were of the Council and its excellent hard working staff and that they would continue to advocate for their staff and protect services that residents need and deserve and that they would report back with further information when able to.

### Question from Councillor Scott to the Cabinet Member for Greener Chelmsford

I note that the guidance around the new regulations for the NPPF has allowed Chelmsford City Council to continue with the submission of proposals and the process to select development sites for the future.

This is now to be dealt with by the Policy Board on the 16th January 2025, at which final decisions will be made and these will include the very controversial proposals for a massive development at Hammonds Farm.

Given the huge public interest and concern about this development, with thousands of residents opposed to it, does this allow sufficient transparency and scrutiny by the public and councillors and will this go to Full Council for further discussion before submission?

In response the Cabinet Member for a Greener Chelmsford stated that the revised National Planning Policy Framework had recently been published and it was important that the Council did not have to start the Local Plan process again from scratch, therefore they needed to press on and meet the Government's deadlines. They stated that the Government had acknowledged the serious shortage of genuinely affordable homes and that housing targets had to be met in the most sustainable way possible. The Council heard that large sites such as Hammonds Farm were best placed to meet the high quantities of housing that was required. They also referred to the importance of low carbon homes and projects to create communities. The Council also heard that detailed public consultations had already been carried out with more people reached than ever before and that on 16<sup>th</sup> January 2025, the Policy Board would be asked to recommend the Local Plan for a further round of consultation allowing further scrutiny and comments. The Cabinet Member also stated that a decision on whether to submit the latest version for independent examination would be made by Full Council.

In response to a follow up question, the Cabinet Member stated that there were 6972 homes with planning permission, waiting to be built and that they could provide further information after the meeting if required.

(7.10pm to 7.33pm)

## 7. Exceptions to Council Tax Premiums in respect of empty properties

The Council received a report asking them to determine whether or not to apply any local discretionary exceptions to Council Tax premiums imposed in respect of empty properties. The Council heard that they had previously delegated to officers the implantation of statutory exceptions but that it had taken time for legislation to pass that would come into effect in April 2025 but that until then, the Council had to decide

whether it wished to use discretionary powers to exempt properties for the remainder of 2024/25, that were set to become exempt from those premiums in April 2025.

In response to questions the Council heard that officers would continue to deal with claims on their own merit based on their expertise and that the Cabinet Member had confidence in them being able to do so. The Council also heard that a specific case could not be discussed at the meeting but they would follow it up afterwards.

RESOLVED that;

1. Council agreed to implement local discretionary exceptions to Council Tax premiums, imposed on empty properties during 2024/25, in line with those coming into force with statutory effect from 1 April 2025 and;
2. Council agreed a limited discretionary exception to the second home premium with effect from 1 April 2025 in respect of privately rented furnished property left empty by a vacating tenant whilst still retaining the tenancy for a maximum period of one month.

(7.34pm to 7.41pm)

## 8. Review of Fees and Charges

The Council considered a report that asked them to note the approach to fees and charges, approve a number of changes that were outside delegations and to approve new charges for household garden waste collections. The Council heard that it was facing a very difficult financial position, with a budget shortfall but it was important to maintain high quality services. The Council also heard that extra assistance had been hoped for from central Government, but that had not happened and therefore a charge for the collection of garden waste had been developed. The Council were informed that it would be challenging to set a budget next year and that with limited potential increases to Council Tax and ever increasing costs to provide services, costs continued to rise higher than the funding received. The Council noted that there was essentially then a choice, to either cut services or increase fees and the Council did not want to cut any services. The Council also noted that fees were increasing in a number of services under officer delegations, but car park and bereavement fees could not be done under delegation, so Council were being asked to increase them.

The Council also heard that a charge for garden waste collection was reluctantly being proposed, something that all other Essex Council's, with a separate garden waste collection had already done. The Council were informed that the charge would be £60 a year for one bin or £90 for two and that anyone on Council Tax support would pay less. Alternatively, residents could choose not to pay and instead compost their garden waste, take it to an Essex recycling centre or reach an informal agreement with a neighbour to share a bin. The Council heard that in summary, the help from Government had not been sufficient and that as residents valued services, increases were the only option, rather than cutting services.

Members of the Council spoke against the introduction of a charge for collecting garden waste. The Council heard concerns that, in the past the administration had



said they would not charge for collecting garden waste, the amounts going to landfill would increase, the charge would not close the budget gap and that responsibility should be taken for the financial situation. The Council also heard that the charge did not align with the recently supported Essex Waste Strategy, those on Council Tax support should be exempt, those outside the City Centre would feel a greater impact due to having larger gardens and the funds raised being spent in the Centre. Also that, residents in certain areas were already battling ever increasing service charges, the charges should vary with the Council Tax bands and no alternatives had been offered.

Members of the Council also spoke in support of the charge, highlighting that cutting services was not an acceptable option, other Councils in Essex had already introduced the charge, no better ideas had been offered by the Opposition, the plans were not in place in the past and the facts had changed. The Council also heard that high service charges were not under the control of the Council, the budget position left no choice but to introduce the charge, a 40% take up had been assumed for the charge and the administration were happy to promote home composting and informal agreements being reached between residents to share brown bins.

On being put to a vote, a recorded vote was requested by ten members of the Council, which is detailed below.

For the motion: Cllrs Adutwim, H Clark, Davey, A Davidson, C Davidson, Deakin, Dudley, Eley, Franks, Foster, Frascona, Fuller, M Goldman, S Goldman, Hall, Knight, Lardge, Lee, Mascot, Moore, Pooley, Rajesh, Robinson, Sampson, Sherlock, A Sosin, J Sosin, Taylor, Walsh and Young.

Against the motion: Cllrs Armstrong, Bonnett, P Clark, Davis, Dobson, Hyland, Jeapes, John, Massey, Pappa, Scott, Sismey, Steel, Thorpe-Apps, Whitehead and Wilson

Abstained: Cllrs Potter and Sullivan

RESOLVED that;

1. Council noted the overall approach and;
2. Council approved;
  - a. the specific changes to fees and charges set out in the report that were above delegations
  - b. new charges for household garden waste collections as set out in the report.

(7.42pm to 8.27pm)

## 9. Treasury Management Mid-Year Review 2024/25

The Council received a report outlining the treasury activities undertaken in the first part of the 2024/25 financial year and to report on compliance with the approved treasury management strategy.

In response to a question it was confirmed that the higher cash balances than expected could not be used to prevent charging for garden waste collections. The

Council heard that this was because that sum was a one off amount and not something that could be relied upon when setting budgets.

RESOLVED that the contents of the report be noted with no changes required to the ongoing treasury management strategy.

(8.27pm to 8.29pm)

## 10. Gambling Act 2005 – Statement of Licensing Principles

The Council was requested to approve the latest Statement of Licensing Principles under the Gambling Act 2005. The Licensing Committee and the Cabinet had recommended that the Council adopt the Statement.

RESOLVED that the Statement of Licensing Principles under the Gambling Act 2005 submitted to the meeting be adopted.

(8.30pm to 8.31pm)

## 11. Annual Report of the Audit and Risk Committee

The Council considered the Annual Report of the Audit Committee for 2023-24, submitted in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice.

The report included among other things, its work on internal audit strategy; the Revenue and Capital Outturns; the Committee's work programme for 2023-24 and its planned work for 2024-25. Officers were thanked for their support throughout the year.

RESOLVED that the Annual Report of the Audit and Risk Committee for 2023-24 be approved for publication.

(8.31pm to 8.32pm)

## 12. Annual Report of the Governance Committee

The Annual Report of the Governance Committee for 2023-24 was presented for approval.

It provided information on the statutory and procedural requirements of the standards regime; the terms of reference and membership of the Governance Committee; the work carried out by the Committee in 2023-24; details of complaints received about councillors; changes to the Constitution; monitoring matters such as whistleblowing and use of investigative powers; and the Committee's future work programme.

In response to a question about political balance, the Council's Monitoring Officer confirmed that the Committee was politically balanced as with all other Committee's when Annual Council set the Committee membership. The Council heard that a group of three Councillors, would not be entitled to seats on all Committees, rather that their

total number of seats would be smaller than the amount of Committees, hence why they did not hold seats on each Committee. The Council also heard that the use of further hyperlinks would be looked at for the next report.

RESOLVED that the Annual Report of the Governance Committee for 2023-24 be approved for publication.

(8.33pm to 8.36pm)

### 13. Committee Membership

The Council were asked to consider a change to the membership of the Planning Committee, put forward by the Liberal Democrat Group. The Conservative Group asked if they could put forward changes to the Monitoring officer to be dealt with under delegation, due to the recent by-election and this was confirmed as possible.

RESOLVED that, Cllr Pooley be replaced by Cllr Frasca on the Planning Committee, with Cllr Pooley taking Cllr Frasca's place as a named substitute.

(8.37pm to 8.38pm)

### 14. Notice of Motion

A notice of motion was presented to the Council by Cllr Ann Davidson and seconded by Cllr Rajesh, regarding the ending of Universal Winter Fuel Payments. The Council heard concerns about the amount of pensioners not claiming pension credit and the help that some residents required to claim it. The Council also heard that many pensioners can't afford to heat their homes and that income limits could also affect which pensioners could apply for pension credit. The Council were informed that the ending of the Winter Fuel Payments would lead to fuel poverty for many pensioners and that the Government had set the new threshold too low.

Members of the Council spoke in support of the motion and also expressed concerns about those affected by the changes. The Council also heard that the payments did not need to be means tested, but this was seen as an appropriate solution and that the Council should instead lobby other authorities to increase local support.

In response to the comments made, it was highlighted that pensioners would struggle with rising costs, it was difficult to apply for pension credit especially in cases where pensioners may be hard to reach and changes needed to be made to the way the payments were now being granted.

RESOLVED that;

Council notes the Labour Government's announcement that universal winter fuel payments will end, with eligibility for these payments restricted to those in receipt of Pension Credit and other benefits only.

Council is deeply concerned that many pensioners on lower incomes will now not receive the payments. Across England and Wales, the number of people eligible for

winter fuel payments will fall by 10 million (from 11.4 million to only 1.5 million). Age UK says 2 million pensioners who badly need the money to stay warm this winter will not receive it.

In the Chelmsford City Council area, only 2,363 residents will still qualify; 30,987 residents will lose out from the change in eligibility. That means 92.9% of Chelmsford residents currently eligible for winter fuel payments will no longer receive this payment. Council believes that the Labour Government has set the new threshold for winter fuel payments far too low. Only single pensioners receiving income of less than £218.15 a week (£332.95 a week for couples) are eligible for Pension Credit. This is significantly lower than the National Living Wage rate.

Council is also concerned by the low take-up of Pension Credit: only 63% of those eligible nationwide receive it; over 880,000 pensioners are not doing so. Council recognises the role we can play to increase awareness of Pension Credit, so residents are aware of the support they are entitled to.

Council further notes that the Energy Price Cap rose by 10% on 1 October. Combined with the removal of winter fuel payments, thousands of Chelmsford pensioners will fall into fuel poverty.

Council resolves to:

- Continue to promote awareness of Pension Credit, to maximise uptake among pensioners most in need of this vital help
- Instruct the Chief Executive to write to the Chancellor of the Exchequer calling for the policy on linking winter fuel payments to Pension Credit to be paused immediately and a new, higher threshold for eligibility for winter fuel payments to be introduced
- Invite the Council Leader and the other group leaders on the Council to write a joint letter to the Chancellor of the Exchequer calling for the new winter fuel payment policy to be suspended and reviewed, and to ask the three MPs covering the Chelmsford City Council area to add their names to this.

(8.39pm to 8.50pm)

## 15. Notice of Motion

A notice of motion was presented to the Council by Cllr Robinson and seconded by Cllr Moore, regarding addressing the cost of living including energy. The Council heard that climate action had been campaigned for and that the Climate and Ecological Emergency had been declared in 2019, leading to action being taken by the Council to address the cost of living with regard to energy. The Council also heard that greener options had regularly been encouraged and the Local Plan reflected the importance of green energy. The Council noted that the motion was intended to continue the push for green energy and to call on others to consider carbon neutral homes and how that could help to cut resident's energy costs. The Council also noted the importance of encouraging developers to be carbon neutral along with the motion being a first step and a lobbying call to all levels of Government. The Council were also informed that

the motion was clear in that action on climate change would not only have positive effects on the environment, but also save money on energy costs.

The Council were also informed that Cllrs Robinson and Moore were happy to accept the amendment put forward by the Conservative group, with a small change that Cllr Massey agreed to, so the additional line would read “The Government to remove stamp duty on low-carbon and low-energy homes, if that will assist this housing market sector.”

RESOLVED that;

This Council notes that

- a) the huge rise in energy costs over the last three years has been a key factor in the cost of living crisis
- b) reducing energy use in homes is the easiest way to cut energy costs, as well as reducing carbon output
- c) the cost of insulation and technology to make homes low energy use has been falling in recent years.

This Council regrets that the Government policy to make all new homes carbon neutral by 2016 was repealed.

This Council believes that

- (a) developers of all new homes should be required to build them to a zero-carbon standard that goes beyond the Government’s proposed Future Homes Standard 2025,
- (b) owners of existing homes can also reduce their energy bills and carbon emissions by installing more insulation and technology such as solar PV and battery storage,
- (c) this Council’s ambition to go beyond the 10% Biodiversity Net Gain target will improve health and wellbeing as well as the local environment,
- (d) the Climate & Nature Bill (due to have its second reading in the House of Commons on 25 January) will help us all to take welcome steps in that direction, including ensuring that the UK cuts its emissions fairly and fully, to stand the best chance of keeping the global temperature rise to 1.5°C.

This Council welcomes proposals to require solar panels on new buildings where they are appropriate; hopes that will be furthered by the draft New Homes (Solar Generation) Bill in Parliament, and believes that extending that to include battery storage would be beneficial.

This Council calls on

- a) the Government at a minimum to proceed as planned with the national Future Homes Standard
- b) the Government to give ambitious local authorities the encouragement and freedom to go further and
- c) registered providers in the district to build to low energy standards.
- d) The Government to remove stamp duty on low-carbon and low-energy homes, if that will assist this housing market sector.

This Council resolves to

- a) continue to promote energy saving schemes and grants such as Sustainable Warmth and Home Upgrade to local residents
- b) write to Chelmsford's three MPs, the Deputy Prime Minister and the Secretary of State for Energy and Net Zero with a copy of this motion
- c) call on its MPs to support the Climate & Nature Bill.

(8.51pm to 9pm)

The meeting closed at 9pm

Mayor



Chelmsford City Council

19 February 2025

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## Reports from the Cabinet

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Report by: Cabinet Member for Finance

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### Officer contact:

Dan Sharma-Bird, 01245 606523, [dan.sharma-bird@chelmsford.gov.uk](mailto:dan.sharma-bird@chelmsford.gov.uk)

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### Purpose

To inform Council of the decisions of the Cabinet on 28 January 2025.

### Recommendations:

That the recommendations of the Cabinet on Agenda Items 7.1, & 7.2 be approved.

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#### 1. Local Council Tax Scheme 2025-26

RECOMMENDED TO THE COUNCIL that the Local Council Tax Support Scheme for 2024-25 be retained as the Scheme for 2025-26.

#### 2. Capital, Treasury Management and Investment Strategies 2025/26

RECOMMENDED TO THE COUNCIL that they approve the Capital, Treasury Management and Investment Strategies

Background papers:

None

Appendices:

None

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Corporate Implications

As set out in the original reports to the Cabinet

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Chelmsford City Council

19 February 2025

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## Local Council Tax Support (LCTS) Scheme 2025/26

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Report by:  
Cabinet Member for Finance

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Officer Contact:  
Rob Hawes, Revenue and Benefit Services Manager, 01245 606695,  
[robert.hawes@chelmsford.gov.uk](mailto:robert.hawes@chelmsford.gov.uk)

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### Purpose

To present for consideration a Local Council Tax Support (LCTS) scheme for 2025/26 to put forward for Full Council approval before 11 March 2025.

### Recommendation

That the existing LCTS scheme for 2024/25 is adopted, without alteration, as the scheme for 2025/26.

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## 1. Background

- 1.1. Since 2013/14, every billing authority has been required to approve a Local Council Tax Support (LCTS) Scheme, prior to 11 March, in respect of the forthcoming financial year. The LCTS scheme assists people on a low income with their Council Tax liability by reducing the amount they have to pay. Entitlement to Council Tax Support (CTS) is 'means-tested', whereby entitlement reduces as household income increases. The Council must

incorporate Government rules in respect of pensioners, but it has significant freedom to decide the rules in respect of 'working age' households.

- 1.2. In 2013/14, the Council decided to reduce the maximum level of CTS which could be awarded to an amount equivalent to 80% of a household's Council Tax liability. This meant that all working age households paid a minimum of 20% of their Council Tax liability. This decision was taken to ensure that scheme expenditure did not exceed the funding provided. Following a reduction in Government grant for 2014/15, the minimum payment was raised to 23% and has remained at that level ever since. Subsequent reductions in Government grants have meant that the scheme expenditure now exceeds any grant received and Chelmsford's council tax payers are now contributing to the cost of the scheme. The amount of that contribution cannot be calculated exactly as the direct link between Central Government grant for LCTS was broken in 2014/15 when the specific LCTS grant was incorporated into the overall Settlement Funding Assessment.

## 2. Current 2024/25 LCTS scheme summary

### Key principles

- 2.1. The key principles of the existing LCTS scheme are as follows:
  - Local councils have the power to decide how much help is given to working age households. In Chelmsford, all working age recipients pay a minimum of 23% of their Council Tax liability.
  - The rules for pensioner households are set by the Government. Chelmsford's pensioners can receive a maximum of 100% of their Council Tax liability, so they may not pay any Council Tax.
- 2.2. A more detailed summary of the key principles can be found in Appendix 2.
- 2.3. The Council is required to agree and approve a working age LCTS scheme for 2025/26. It is recommended that the 2024/25 scheme is retained in its current form without amendment.
- 2.4. The Government is expected to make small amendments to the statutory parts of the LCTS scheme shortly. If it does so, amendments to Chelmsford City Council's 2025/26 LCTS scheme will follow automatically, so there is no requirement for Cabinet or Full Council to approve these statutory changes.

### 3. Scheme Finances

- 3.1. The Government includes an amount in respect of LCTS scheme expenditure in the annual settlement for Chelmsford City Council, Essex County Council and the Police and Fire authorities. It is the billing authority, Chelmsford City Council, which is responsible for assessing the amount of LCTS payable and reconciling this through the Council Tax collection fund.
- 3.2. Since the amount of grant in respect of LCTS is no longer separately identified, it is not possible to accurately estimate the amount by which LCTS scheme expenditure exceeds the available grant. What is clear is that the overall annual amount of Government grant to the precepting bodies (Essex County Council, Chelmsford City Council and Essex Police, Crime and Fire Commissioner) is £144.32m less in 2024/25 than in 2013/14, while scheme expenditure remained relatively constant at around £6.5m per annum until 2019/20. It is reasonable to assume that the gap between CTS grant amounts and scheme expenditure has risen each year.
- 3.3. The Covid-19 pandemic and reduction in economic activity caused a large increase in caseload numbers in 2020/21 and, although caseload levels are now falling, increases in the level of Council Tax each year mean that scheme expenditure now stands at £7.488m as at 31 December 2024. This means that the shortfall between CTS grant and expenditure has increased once more. Given the budget position for 2025/26, it is not advisable to increase the expenditure on the LCTS scheme by making its provisions more generous in 2025/26. Increasing LCTS scheme expenditure would have a detrimental financial effect on the other preceptors, which are facing their own budget challenges. Conversely, as there are cost of living pressures on households in the wider economy and Council Tax levels are likely to rise, it would place additional pressure on low-income residents if the Council attempted to reduce LCTS expenditure by making the LCTS scheme less generous.
- 3.4. As at the end of December 2024, the amount of LCTS paid to working age households totals £4.13m, with a further £3.358m paid to pensioner households. £1.13m of the working age total is being paid to households receiving minimum levels of income. As the only cost-effective method of recovery available in such cases is a £3.75 per week deduction from benefits, there is a strong likelihood that any attempt to reduce scheme expenditure by reducing the amount of LCTS that is paid would be matched by a comparable fall in collection rates. Despite the increase in Council Tax rates in 2024/25, LCTS expenditure in respect of the poorest households has fallen slightly compared to 2023/24. However, LCTS expenditure in respect of households not receiving maximum LCTS has risen by 16.7% to £3m. This suggests that households are moving into relatively low-paid employment rather than remaining on minimum social security benefits as the economy recovers from Covid. However, all households will be affected by the ongoing high costs of

such basic necessities as food and energy costs, which will further increase the difficulty of council tax collection in 2025/26.

## 4. Equality Issues

4.1 When deciding upon a scheme, the Council is required to have due regard to its Public Sector Equality Duties, which requires public authorities to give due regard to the need to:

- i. Eliminate unlawful discrimination and harassment in the respective fields of race, sex and disability;
- ii. Promote equality of opportunity between those with a protected characteristic and others; in addition, the Race and Disabilities Duties include the need to promote good race relations;
- iii. Take steps to take account of disabled people's disabilities even where that involves treating disabled people more favourably than others; and,
- iv. Promote positive attitudes towards disabled people and to encourage participation by them in public life.

4.2 An Equality Impact Assessment (EIA) for 2023/24's LCTS scheme is attached for reference at Appendix 1. This will need to be revisited if changes to the scheme are proposed in future years. The EIA identifies impacts upon relevant groups and any mitigations which are in place. It is important that decisions relating to our LCTS scheme are taken with these matters in mind. Although the PSED does not prevent councils from taking decisions which impact adversely on groups with 'protected characteristics', they must ensure that they are not impacted in a worse fashion than non-protected groups.

## 5. Conclusion

5.1 The LCTS scheme is an important support for low-income households. Given the current economic climate and the ongoing uncertain economic outlook for 2025/26, it is not considered desirable to reduce the level of support provided by the LCTS scheme, nor do the Council's finances permit any expansion to scheme expenditure by making it more generous. It is recommended that the current 2024/25 LCTS scheme is adopted unchanged for 2025/26.

### List of appendices:

Appendix 1 – Equality Impact Assessment

Appendix 2 – Main principles of the LCTS scheme

### Background papers:

None

## Corporate Implications

**Legal/Constitutional:** A local scheme must be agreed by Full Council before 11 March 2025. If Cabinet is minded to propose changes to the existing scheme, a public consultation lasting a minimum of six weeks must take place on any proposed change. This paper cannot be deferred to a later meeting as a delay would mean that there would be insufficient time to obtain a ratifying decision at Full Council.

**Financial:** The exact relationship between reducing LCTS expenditure and Council Tax collection rates is unclear, although in-year collection rates of Council Tax have dropped by 2% since LCTS was introduced in April 2013. 2% equates to a shortfall of £3m on an estimated Council Tax debit of £152m in 2024/25, although strong performance on arrears collection in subsequent years has largely offset this reduction. 2024/25 collection performance is expected to be slightly better than 2023/24, with collection rates currently 0.11% higher than in 2023/24.

**Potential impact on climate change and the environment:** None.

**Contribution toward achieving a net zero carbon position by 2030:** None

**Personnel:** None

**Risk Management:** None

**Equality and Diversity:** No change. Equality impact Assessment attached as Appendix 1

**Health and Safety:** None

**Digital:** The existing Benefits software is capable of maintaining the current scheme. Any radical proposed changes will need to be evaluated as to whether the software can deliver them.

**Other:**

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## Consultees:

Director of Connected Chelmsford, Legal and Democratic Services Manager, Pan Essex Council Tax Support Scheme Project Group

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## Relevant Policies and Strategies:

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

Benefits Operational and Internal Security Policy  
Benefits Customer Service Policy

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

A: Assessor Details	
Name of policy / function(s):	Local Council Tax Support scheme with effect from April 2024
Officer(s) completing this assessment:	Robert Hawes
Date of assessment:	14 December 2023
B: Summary Details	
Description of policy, strategy or activity and what it is aiming to do	<input type="checkbox"/> new            OR <input checked="" type="checkbox"/> existing ( <i>If existing, when was the last assessment?</i> December 2022) <input type="checkbox"/> internal        OR <input checked="" type="checkbox"/> external (i.e. public-facing) <input type="checkbox"/> statutory      OR <input checked="" type="checkbox"/> non-statutory – parts of the policy will be governed by statute, those affecting pensioners and rules relating to entitlement to persons from abroad for both pensioners and working age
Policy Owner (service)	Revenues and Benefits
Scope: Internal - Service/Directorate/Council wide External – specify community groups	External – applies to any member of the community on a low income requiring assistance with their Council Tax liability

**C: Assessment of impact**

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

**Please note any data used in the impact assessment should be anonymised and with due regard given to data privacy in line with GDPR.**

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
<p><b>Age</b> What will the impact be on different age groups such as younger or older people?</p>		<p>The amount of assistance available does vary dependent upon age, although no changes are proposed in this respect for 2024/25.</p>		<p>Pensioners receive additional allowances which ensure that they receive more support than a working age person with the same income. Individuals or households where both members are under 25 will receive less assistance than when one or both members are over 25. This disparity in assistance is a standard feature of all welfare benefit schemes. Pensioner households are entitled to a maximum of 100% of their Council Tax liability. Working age households are entitled to a maximum of 77% of their Council Tax liability</p>	

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
<b>Disability</b> Consider all disabilities such as hearing loss, dyslexia etc as well as access issues for wheelchair users where appropriate			No changes are proposed to affect people with this characteristic		Additional allowances are already in place for people receiving specified disability benefits.
<b>Pregnancy and maternity</b> Pregnant women and new and breastfeeding Mums			No changes are proposed to affect people with this characteristic		Households with children receive additional allowances which result in higher entitlements. Chelmsford City Council has not implemented the wider welfare benefit policy which restricts that assistance to the first two children in a household.
<b>Marriage or Civil Partnership</b> Could this policy discriminate on the grounds of marriage or civil partnership			There is no distinction between the treatment of married persons, persons in a civil partnership or unmarried couples.		
<b>Sex</b> Is the service used by people of			No distinction is made in the		



Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
both male and female biological characteristics or intersex and are the sexes given equal opportunity?			assessment of entitlement as a result of biological gender.		
<p><b>Gender reassignment</b> Is there an impact on people who are going through or who have completed Gender Reassignment?</p> <p>Additionally, is there an impact on people with different gender identity?</p>			No distinction is made in the assessment of entitlement as a result of gender identity.		
<p><b>Religion or belief</b> Includes not having religion or belief</p>			No distinction is made in the assessment of entitlement as a result of religious belief.		
<p><b>Sexual Orientation</b> What is the impact on people of different sexual orientation such heterosexual, lesbian, gay or bisexual people?</p>			No distinction is made in the assessment of entitlement as a result of sexual		

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
			orientation.		
<b>Race</b> Includes ethnic or national origins		Yes		Brexit removed entitlement from EU nationals without 'settled status'. This is in addition to the restrictions to benefit already in place on non-EU nationals.	This element of the policy is dictated by Government by way of statutory instrument and cannot be amended by the Council.
<b>Are there any other groups who could find it difficult to access or make use of the policy / function?</b> For example: low income / people living in rural areas / single parents / carers and the cared for / past offenders / long-term unemployed / housebound / history of domestic abuse / people who don't speak English as a first language / people without computer access etc.			No		

<b>D: Consultation process, information used to analyse the effects on protected groups/equality and key findings</b> Please describe the consultation process and evidence gathered. You may attach copies or links to the data / research you are using.		
1.	<b><u>Consultation/engagement</u></b> <b>What consultation or engagement has been undertaken regarding this policy?</b> <i>[Please summarise what, when and who was involved]</i>	The policy was subject to public consultation between 3/12/20 and 18/01/21. Following analysis of the consultation responses, this impact assessment was amended. No substantive changes have been made to the policy since that date.
2.	<b><u>Key findings</u></b> <i>(Summarise the key findings of your consultation in relation to protected groups as outlined above).</i>	The consultation attracted very few responses. However, each of the three respondents who identified themselves as being in one or more of the protected groups agreed that the proposed change in wording should be made, with one respondent suggesting that the change should be more wide-ranging to allow changes in scheme design to be made at any time.
3.	<b><u>Data/Information</u></b> <b>What relevant data or information is currently available about the customers and employees who may use this service or could be affected by this policy?</b> <i>(For example: equality monitoring, surveys, demographic data, research, evidence about demand/ take-up/satisfaction etc).</i>  <b>What additional information could be collected which would increase your understanding about the potential impact of the policy?</b> <i>(What involvement or consultation with affected groups is still needed?)</i>	Incomes, capital holdings, age, sex and household make-up of existing recipients of Council Tax Benefit recipients are known. Data regarding disability can be inferred from both income and qualification for additional premiums. Data regarding ethnicity, sexual orientation, religious beliefs and language is minimal as these characteristics are not relevant when assessing entitlement. Respondents to the consultation were given the option to provide ethnicity, age, sexual orientation, disability and religious beliefs in addition to their answers.  Feedback from customers, voluntary or community groups, advice agencies and residents was sought as part of the consultation.

4.	<p><b>For existing policies, strategy, activity only:</b>  <b>What has changed since the last assessment?</b>  <i>(For example: evidence of public concern or complaints / new information has come to light / changes in service provision / changes in service users/ assessed impact on protected groups etc)</i></p>	<p>Reductions in grants from central Government over a prolonged period have not been offset by more recent small increases. Inflation, the cost of homelessness and the overall commercial environment are placing considerable pressure on Chelmsford's finances. Councillors are able to decide whether or not to increase expenditure on Local Council Tax Support.</p>
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**E: Relevance to the Equality Duty Aims:**

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

1.	<p><b>To eliminate unlawful discrimination, harassment and victimisation</b></p>	<p>People with disabilities will continue to receive additional premiums as part of the calculation of local Council Tax Support. Chelmsford's Local Council Tax Support scheme has retained additional premiums for disabled people and continues to disregard the whole of any Disability Living Allowance or its replacement, Personal Independence Payment, from the assessment of entitlement.</p>
2.	<p><b>To advance equality of opportunity between people who share a protected characteristic and those who do not</b>  <i>(This means removing or minimising disadvantages, taking steps to meet needs of different people and encouraging participation. It can involve treating people better than others, e.g. disabled people).</i></p>	<p>As above, disabled people will continue to be treated more favourably than non-disabled people with a similar income, which recognises the extra costs attributable to disability. Parents with dependent children will continue to receive additional premiums in respect of children as part of the calculation of support, thereby recognising the extra costs associated with bringing up a family. In 2015, Councillors rejected the option to remove the Family Premium (worth a maximum of £3.48 per week in Council Tax Support) from the calculation of LCTS for new working age claimants with effect from April 2016. There is no intention to remove the additional premiums awarded to households with more than 2 children within the means test. Therefore, people with children will still be treated more favourably than people without insofar as the additional cost of raising children is reflected in the amount of income a household with children can have before CTS is affected.</p>

3.	<p><b>To foster good relations between those who share a protected characteristic and those who do not. If so, how?</b>  <i>(This means promoting understanding between different groups and tackling prejudice)</i></p>	<p>This policy is not intended to affect community relations and no such effects have been identified, nor are any anticipated.</p>

F: Conclusion	
Decision:	Explanation:
<p><input checked="" type="checkbox"/> <b>Continue the policy with no changes</b>  <i>[For example: evidence suggests no potential for discrimination / all opportunities have been taken to advance equality.]</i></p>	
<p><input type="checkbox"/> <b>Continue the policy with adjustments</b>  <i>[For example: Low risk of negative impact / actions or adjustments would further improve positives or remove a potential negative impact.]</i></p>	
<p><input type="checkbox"/> <b>Adverse impact but continue</b>  <i>[For example: Negative impact has been objectively justified.]</i></p>	
<p><input type="checkbox"/> <b>Suspend or withdraw the policy for further review / consideration of alternative proposals</b>  <i>[For example: High risk of negative impact for any group / insufficient evidence / need to involve or consult with protected groups / negative impact which cannot be mitigated or justified / unlawful discrimination etc.]</i></p>	

**Approved by:**

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

Senior Manager: ...Robert Hawes.....Date: ...14 December 2023.....

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

## Appendix 2 - LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME 2025/26

Main points of the LCTS scheme:

- Council Tax liability, for the purpose of calculating entitlement, is restricted to the appropriate Band D level. This means that a working age person in a Band H property, for example, will have their LCTS calculated using the Band D amount applicable to the parish area in which they live. A pensioner household receives LCTS based on their actual liability regardless of Band.
- LCTS is not available to working age households with more than £6,000 in savings. Pensioners can have up to £16,000 in savings before entitlement is removed.
- Households with other non-dependant adults in them receive reduced amounts of LCTS as the non-dependants are expected to contribute towards the running costs of the household. These contributions depend on the income of the non-dependant. Non-dependant deductions also apply to pensioner households, for whom the level is set by the Government.
- £10 per week of child maintenance received is disregarded. Any child maintenance paid to a pensioner household is disregarded in full.
- There are additional disregards to earned income to encourage work. This provision is more generous for the working age than for pensioners.
- For self-employed recipients, national minimum wage levels are assumed as income for the purposes of calculating LCTS entitlement if the declared income from self-employment is lower than the minimum wage. This applies after the first year of self-employment.

The amount of any reduction in council tax for people on low incomes is means-tested. This means that a household's income is compared against a set of allowances. These allowances vary depending on the personal circumstances of the household ie number of children, any disabilities etc. Working age households with an income equal to, or below, the relevant allowances receive maximum allowable LCTS ie 77% of Council Tax liability (capped at Band D rates, as described above). Households with an income above the relevant allowances have support withdrawn at the rate of 20p for every pound by which income exceeds allowances.



## Chelmsford City Council

19<sup>th</sup> February 2025

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### Capital, Treasury Management & Investment Strategies 2025/26

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#### Report by:

Cabinet Member for Finance

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#### Officer Contact:

Phil Reeves, Accountancy Services Manager (section 151 officer), 01245 606562,  
[phil.reeves@chelmsford.gov.uk](mailto:phil.reeves@chelmsford.gov.uk)

#### Purpose

To recommend an approach for managing the Council's cash and other types of investment including property; and

to explain how capital expenditure, capital financing and treasury management activities will contribute to the provision of services, how risk is managed, and the implications for future financial sustainability.

#### Options

1. Accept the recommendations contained within the report and appendices.
2. Recommend changes to the way the Council's investments are to be managed.

#### Preferred option and reasons

Recommend the report to Council without amendment for consideration and thereby meet statutory obligations.

#### Recommendations

That Cabinet requests that Full Council approve the Capital, Treasury Management and Investment Strategies.



## 1. Background

1.1. There are three financial strategies that the Council is obliged by Government to approve when setting a budget:

- Capital Strategy
- Treasury Management Strategy
- Investment Strategy

### 1.2. Capital Strategy

The Capital Strategy **Appendix 1** sets out a framework for the management of capital finance and links to capital and revenue budget plans being reported to Cabinet in January 2025. The strategy is not reviewed by the Treasury Management and Investment Sub-committee. The strategy should support the Council's objectives in 'Our Chelmsford Our Plan' and sets the framework in which the capital programme is planned. It enables the Council to prioritise the use of limited resources to support long-term priorities whilst balancing services' operational requirements. The strategy reports on deliverability, affordability and the risks associated with the strategy. The aim of this Capital Strategy is also to ensure that members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risks.

### 1.3. Treasury and Investment Strategies

Members of the Treasury Management and Investment Sub-Committee (TMISC) have reviewed the contents of these strategies and recommended that the Cabinet note their contents and seek Council approval for the Strategies.

The activities around the management of the Council's cash and external borrowing are known as Treasury Management (TM). Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), members are required to receive reports on the Council's TM activities. The document in **Appendix 2** complies with the Code and relevant Government regulations.

Full Council has overall responsibility for the Treasury Strategy but delegates to the TMISC responsibility to monitor activity and recommend changes to the strategy. The Accountancy Services Manager (Section 151 Officer) has delegated responsibility to manage operational TM activities within the approved strategy.

1.4. The Ministry of Housing, Communities and Local Government requires the Council to publish and have approved an Investment Strategy. This strategy covers investments that are deemed not to be Treasury Management activities. The Investment Strategy is in **Appendix 3**.

## 2. Executive Summary

### Capital Strategy

- Sets out how this strategy will support the Council towards achieving 'Our Chelmsford Our Plan'.
- Sets limits to amounts that can be borrowed by the Council.
- Summarises the costs of the capital programme.
- Identifies how the Council plans to finance its capital expenditure programme and the cost to the revenue budget.
- Identifies how processes will limit risks associated with the strategy.
- Will ensure that members understand the Capital Strategy requirements, governance procedures and risks.

### Treasury Strategy

#### Investments

- No material changes from the previous year.
- Target of a minimum of £5m of liquid funds to manage cashflow during the year remains unchanged. However, this target may be increased by officers during the year if liquidity management requires it.
- Cash available for investment is expected to reduce as the Council funds the capital programme.
- Prior to completion of the budget, gross interest income of circa £925k is expected for 2025/26 based on an assumed interest rate of 4.35% across the Council's portfolio.

#### Borrowing

- Changes
  - Maturity limit for 2 to 5 years has been increased to 100% to increase flexibility, if needed.
  - An affordability indicator has been added. This is a result of reviewing currently published indicators against those required by best practice.
  - No other material changes from the previous year.
- Borrowing will only be undertaken for the purpose of managing temporary liquidity or to fund the capital programme.
- Limits for external borrowing will be set in the Capital Strategy which will be reported to Cabinet and then Council as part of the 2025/26 Budget.
- Under the Constitution, the Section 151 Officer manages investments and borrowings, so will undertake any borrowing as needed. Prior to completion of the budget, the Council's cashflow planning indicates borrowing is likely to be required in late 2024/25 and onwards. Projections suggest external borrowing of £58m by March 2026 may be needed.

### **Non-Cash Investments (Investment Strategy)**

- No changes to the principles of last year's investment strategy are recommended.
- No new capital expenditure (investments) will be made where the purpose of the investment is primarily for yield. This restriction is in line with 2024/25 Strategy.
- The strategy has provision to allow for the creation of a stand-alone housing company if needed and subject to appropriate approvals.
- The monitoring of non-treasury investments is undertaken by the Treasury Management and Investment Sub-committee.

### **3. Conclusion**

3.1. Cabinet is asked to accept the endorsement by Treasury Management and Investment Sub-committee and to recommend to the Council the Treasury Management and Investment Strategies.

3.2. Cabinet is asked to recommend the Capital Strategy to Council. This strategy should be reviewed regularly and reported on during the year.

#### **List of appendices:**

Appendix 1 - Capital Strategy 2025/26

Appendix 2 – Treasury Management Strategy 2025/26

Appendix 3 – Investment Strategy 2025/26

#### **Background papers:**

Nil

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### **Corporate Implications**

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

Financial: As detailed in the report

Potential impact on climate change and the environment:

Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this

basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

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

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management:

The report is part of the Council's approach to managing risks arising from Treasury Management and its Capital Strategy.

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

Consultees:

Management team, Section 151 Officer and Monitoring officer

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Relevant Policies and Strategies:

Our Chelmsford Our Plan

## **Capital Strategy 2025/26**

- 1.1 This capital strategy report provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

It should be noted that this strategy has not included future receipts which will be realised from disposals of strategic sites such as Chelmer Waterside as the amount and timing of the receipts is not currently known. Future forecasts and outlook should be judged in light of the potential upside from these receipts when realised.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and a local policy framework, summarised in this report.

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

- 1.3 **Governance: Capital Investment in Council Services – Capital Schemes and Replacement Programme**

The Replacement Programme is expenditure required to maintain existing levels of service provision. It includes software, vehicles, plant, equipment, grants and improvement loans which are budgeted for annually.

Capital Scheme items are usually building works but can be anything which does not meet the criteria of replacement, including regeneration schemes.

Details of the approved capital schemes, replacement programme and new scheme proposals included in this strategy can be found elsewhere on the agenda as part of the Budget 2025/26 report.

The Prudential Code requires that authorities demonstrate that they make capital spending and investment decisions in line with service objectives and have proper stewardship arrangements, provide value for money, are prudent, sustainable and affordable.

The Council's constitution and financial regulations govern the capital programme.

- All capital expenditure must be carried out in accordance with the financial regulations and the Council's constitution.
- Capital expenditure must comply with the statutory definition.
- The Capital Programme is approved by Full Council as part of the Council's annual budget report. It reports on the revenue cost of financing the capital expenditure to ensure that it is affordable. This is kept under review and updates are reported to Cabinet and approved by Full Council when required during the year.

- All schemes are formally approved into the capital programme by following an agreed process (see below).
- Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations.
- Each scheme must be under the control of a responsible person/project manager.

### **New Capital Spending – Prioritisation and Approval**

New capital spending should only be considered where the proposals are fully funded from, new external sources, from internal resources currently available, or where capital financing costs are offset from income/savings generated from the proposal or when increasing revenue costs is considered affordable.

It is always difficult to make choices between competing priorities and with reduced resources this is more challenging. To assist, during 2025/26 it is proposed that monitoring of capital programme projected costs will also include monitoring of resources to ensure the use of limited resources are prioritised.

Funding of new capital projects will require the production of a business case. An annual process is in place where Service managers bid in September for new capital scheme proposals and replacement items to be included in the Council's capital programme.

Business cases are collated by Accountancy who review the proposals and ensure that financial elements are validated and calculate any financing and/or running costs.

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

The Council has introduced a corporate Project Management Toolkit to support good project management practice across the Council. The toolkit provides templates for business cases and guidance on all aspects of project management.

In determining viability, capital business cases must include:

- details of how the proposal will help to achieve the corporate priorities;
- details of the intended outcomes and potential running costs;
- a statement of the risks of undertaking the scheme and how these will be managed;
- details of consultations undertaken in arriving at the proposal and any potential alternatives; and
- robust/validated costs. Proposals will not be taken forward for approval where costs are indicative.

If the above items cannot be included, then the service manager should consider whether a feasibility study should be undertaken prior to submission of the business case.

Due to the high significant that the financing of capital schemes has on the revenue budget, all future one off-schemes that are not self-financing (produce income or savings at least equivalent to the additional revenue costs of the proposal), will be automatically included on an Unfunded Priorities list.

Management team will review proposals on unfunded list as part of the budget estimates' cycle. Schemes management team consider as a priority, will be progressed to a feasibility study to gain a clearer understanding of potential costs and therefore affordability of the scheme.

Business cases that are considered as a lower priority, that are unaffordable or that can be deferred will remain on the Unapproved Priorities list. The cost of the schemes on this list are not included in the forecast spend as they have not been approved. In some instances, approved capital schemes may be reviewed and moved onto the Unapproved Priorities list should higher priority schemes come forward or further costing is required due to a change in scope or the original costs require updating.

The Unapproved Priorities list has been produced in Annex 1 and will be maintained and updated on an annual basis. This list will take time to fully establish but will contain details of potential future schemes linked to the priorities in 'Our Chelmsford Our Plan'. When schemes become 'affordable' and of sufficient priority they will be brought forward for approval following submission of a business case and included in the Capital programme.

Wherever possible proposals will only be taken forward for approval and added to the capital programme when there is certainty with the cost and outcomes of the proposal. This may be based on quotes or in some cases a full tender exercise. The full cost of the proposal must be identified including the revenue consequences and financing costs to ensure that the scheme is affordable. As the timing of the feasibility and tender works will not always align with the budget approval timetable it is likely that approval for the one-off schemes will be sought throughout the year.

Following approval, the agreed Corporate Project Management Toolkit should be used to ensure successful delivery of the project

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

Governance and reporting arrangements, including risk management, will be reviewed to ensure that it remains fit for purpose and is in line with best practice.

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

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

##### Methods of Capital Financing

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

- **Sales of Assets (Capital Receipts):** Any disposal of property or equipment over £10,000 in value is a capital receipt. These can only be spent on other capital items. The Council seeks to maximise the level of these resources, which will be available to support the Council's plans. The use of cash proceeds from disposals up to £100k will be prioritised to fund assets with the shortest useful life, such as vehicles and equipment, to reduce the

requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost. The use of more strategic disposals, which will result in larger receipts, should be considered with a view to paying down debt and reducing financing costs. Relative benefits of the disposal of assets in exchange for non-cash benefits such as housing nomination rights which may reduce future Council revenue costs, will also be assessed on a site-by-site basis.

- **Leasing:** This is where we can use an asset in exchange for making a series of payments over several years. From 1<sup>st</sup> April 2024 under IFRS16 all leasing will be treated as a debt on the balance sheet. Leasing differs from traditional debt as more often than not the leasing company/property owner retains legal ownership of the asset. Companies are able to obtain capital allowances to reduce the cost to the Council. Leasing will be used following due diligence, comparing the financial and non-financial benefits and risks to the Council versus owning outright such assets.
- **Borrowing** (excluding leasing):
  - The Council can borrow externally from other local authorities, the Government or the private sector.
  - Borrowing can also be carried out internally, where cash balances are “borrowed” to fund capital expenditure.

If the Council undertakes any form of internal or external borrowing, then payments must be made to cover future or current principal debt repayments (Minimum Revenue Provision (MRP)). Before the start of each financial year the Council should prepare a statement of its policy on charging MRP in respect of that financial year and submit it to full Council for approval. The statement should describe how it is proposed to discharge the duty to make prudent MRP charges during that year. The method to calculate MRP is set out in section 1.6 below ‘The Borrowing Strategy’. Councils can choose to pay off debt from surplus capital resources, such as capital receipts, at any time.

- **Revenue contributions to capital:** the Council can use revenue budgets set aside to fund capital expenditure.
- **Grants:** there are Government grants and grants from external organisations. These can be used towards specific works that the Council can often bid for or can be non-specific.
- **Section 106 agreements and Community Infrastructure Levy (CIL):** if a new development is undertaken within the City, the Council is legally entitled to ask for assets or money to mitigate the impact of the development. Wherever possible these contributions are used towards the financing of eligible capital spend.

The circumstances where each type of capital resource will be used depends on the nature of the scheme. Whilst developing scheme proposals, consideration should be given to the types of funding which offer the best value for money for the Council. Clearly, the optimal funding arrangements are those where third parties fund or help fund the investment. The s151 Officer will, at the end of each financial year, determine the appropriate funding for the capital programme.



The Council has limited capital resources and will apply those resources in a way that reduces the revenue burden of the schemes. This will therefore use the principle of applying any suitable resource available to fund schemes before using borrowing (internal or external). For example, CIL resources will be applied to schemes that meet CIL regulatory requirements at the earliest opportunity if this defers or avoids the need to borrow. A review will be undertaken in 2025 to determine how future CIL income can be used to support the Corporate Plan.

### 1.5 Cost of the Capital Programme

In the 2025/26 budget, the Council is planning capital expenditure as summarised below:

	<b>2023/24 actual</b>	<b>2024/25 forecast</b>	<b>2025/26 budget</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>
Replacement Programme Updated Budgets Require Approval	£3.573m	£4.465m	<b>£7.552m</b>	£4.586m	£4.595m
Capital Projects - Forecast Variations Require Approval	£19.048m	£42.825m	<b>£27.954m</b>	£5.766m	£3.096m
New Capital Submissions 2025/26 - Require Approval	£0.000m	£0.000m	<b>£0.980m</b>	£0.000m	£0.000m
Provision for Building Condition Works - Require Approval	£0.000m	£0.000m	<b>£3.910m</b>	£0.750m	£0.000m
<b>TOTAL</b>	<b>£22.621m</b>	<b>£47.290m</b>	<b>£40.396m</b>	<b>£11.102m</b>	<b>£7.691m</b>

Details of the programme can be found in the Budget Report 2025/26 elsewhere on this agenda.

This forecast expenditure has been assessed following a full review of the existing programme by Management team. Some previously approved schemes have been moved to the Unapproved Priorities list as they are now considered as possibly being unaffordable or the approved budgets are not based on validated costs. The funding (CIL) previously earmarked for these schemes has been redirected to other higher priority schemes to limit the revenue costs of the capital financing. An example of this would be the proposal for the new cemetery and crematorium infrastructure being removed until an updated business case is brought forward. The CIL freed up, has been re-directed to other schemes lowering the overall need to borrow.

#### Basis for Estimating Future Costs

The above table reflects the forecast capital programme and known replacement items. These costs are reflected in the Budget Report 2025/26 and variations from previously reported costs require approval.

The replacement programme will be approved for the years 2025/26 and 2026/27. The two-year approval provides services with the ability to better manage their replacements. They can move items between the two years should it be necessary and are able to place orders in advance as some vehicles have over a year lead in

times for delivery. As the budgets will be approved in advance of spend, a provision for increases in price has been included. Use of this provision will be delegated to the s151 Officer.

There is a high risk that scheme costs will increase due to inflation and supply and demand. Annual reviews of approved scheme budgets will be undertaken to identify and seek approval for the consequences of inflation.

The table includes a provision for works which have been identified from building condition surveys. Decisions will need to be taken on the affordability and priority of these works. Feasibility and option appraisals will be carried out and business cases will need to be completed for some of the larger more complicated projects such as the Riverside Chiller Unit. A delegation will need to be established to enable the provision to be drawn down as more certainty of the costs is achieved.

The building condition surveys are carried out as part of a rolling programme so additional provisions will be required in future years.

An ongoing budget of £369k to make a revenue contribution to capital has been included in the revenue budgets. This will be vired in later years to cover the associated revenue financing costs (e.g. MRP and interest) when they become payable.

This capital programme has been based on what is affordable. Long-term unfunded priorities will only be included when they become affordable.

Financing of the programme is currently planned as shown in the table below.

	<b>2023/24 Actual</b>	<b>2024/25 forecast</b>	<b>2025/26 budget</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>
Capital Receipts	£0.408m	£1.649m	<b>£0.200m</b>	£0.200m	£0.200m
Grants and Contributions	£17.627m	£38.333m	<b>£18.467m</b>	£1.523m	£0.002m
Revenue Contributions	£0.897m	£0.901m	<b>£0.819m</b>	£0.062m	£0.192m
Borrowing	£2.784m	£6.180m	<b>£20.266m</b>	£7.880m	£7.014m
Finance Leases	£0.659m	£0.227m	<b>£0.644m</b>	£1.437m	£0.283m
Operational Leases	£0.246m	£0.000m	<b>£0.000m</b>	£0.000m	£0.000m
<b>TOTAL</b>	£22.621m	£47.290m	<b>£40.396m</b>	£11.102m	£7.691m

## 1.6 Borrowing strategy

The table above shows that the Council will need to borrow to fund its Capital spending.

For details on the governance for Council borrowing please see Appendix 2 of the Treasury Management Strategy.

IFRS16 Implementation

Changes to accounting regulations came into effect on the 1<sup>st</sup> April 2024 which required conversion and restatement of operational leases and contract hire to finance leases. The effect of this conversion is that the outstanding liability on the leases must be shown as a debt on the balance sheet. The conversion has increased the level of debt held on the Council's balance sheet. An exercise was undertaken with services to identify those leases that would need to be converted. The main classes of lease identified to be included were in relation to vehicles, properties with peppercorn rents and properties currently leased from private sector landlords for temporary accommodation.

The estimated converted level of debt taken onto the balance sheet as at 1<sup>st</sup> April 2024 was as follows:-

Vehicles £0.415m

Private Sector Landlords £5.061m

The estimated converted debt balances as at 31<sup>st</sup> March each year are shown in the table below as they need to be reported and included in the Authorised Limit and Operational Boundary borrowing limits.

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

The table below highlights the requirement for external borrowing to finance the capital programme from 2024/25.

<i>Estimates of Gross Debt and the Capital Financing Requirement in £ millions</i>	<b>31.3.2024 actual</b>	<b>31.3.2025 forecast</b>	<b>31.3.2026 budget</b>	<b>31.3.2027 budget</b>	<b>31.3.2028 budget</b>
Leasing (Debt)	£1.356m	£1.413m	£1.457m	£2.219m	£2.037m
New IFRS16 Conversion Debt		£4.315m	£3.532m	£2.711m	£1.850m
External Borrowing	£5.000m	£26.000m	£58.000m	£66.000m	£68.000m
<b>Total "External Borrowings"</b>	£6.356m	£31.728m	<b>£62.989m</b>	£70.930m	£71.887m
<b>Total Capital Financing Requirement (CFR)</b>	£37.576m	£47.619m	<b>£66.462m</b>	£72.727m	£76.655m
Internal Borrowing (makes up the difference between CFR and external borrowings)	£31.220m	£15.891m	<b>£3.473m</b>	£1.797m	£4.768m

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

*MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis up to a period of 50 years. For those short-term assets with a life of less than 10 years an average life year rate will be applied. Interest will be charged based on an average PWLB annuity rate for a loan with a term equivalent to the life of the asset. For assets acquired under leases, the principal repayment inherent in the lease will be used as the basis for MRP in respect of those assets. This policy does not prevent the Council from making early or one-off repayments of debt from capital receipts or from revenue provisions. MRP is charged in the year following the one in which the expenditure is incurred or the first year following the one in which the asset becomes operational.*

### **Affordability of the Capital Programme**

The table below shows the planned repayment of debt. This is a charge to the revenue budgets. The consequences of any capital spend must be considered in relation to the impact on the revenue budgets and whether it is affordable. There are limited sources of new capital financing available, and this will result in additional capital spending being financed by borrowing. The Council will only commit to additional capital spending where it is affordable. The Council must take a prudent approach to new borrowing, any business cases brought forward must be robust and include forward predictions of affordability, with the aim that projects should be self-funding.

The table provides an indication of the cost to the revenue budget of repaying borrowing, both MRP and interest on external borrowing. Some of the capital schemes, earmarked for being financed by borrowing, will provide an income which will offset the cost of the MRP and interest. The revenue budgets for these schemes have not yet been included in a future year but are instead shown as a separate line in the table below. These financing costs could vary due to the timing of the capital spend and the interest rate when the financing is sourced. The borrowing costs shown below assume short term loans from other local authorities and interest rate assumptions are listed in section 2.4 of the Treasury Management Strategy.

### **Affordability Indicator: Financing Costs to Net Revenue Stream**

	<b>2023/24 Actual £m</b>	<b>2024/25 Foreca st £m</b>	<b>2025/26 Budget £m</b>	<b>2026/27 Budget £m</b>	<b>2027/28 Budget £m</b>
Interest costs on existing borrowing	0.031	0.002	0.000	0.000	0.000
Forecast Interest cost on new borrowing	0.000	0.160	1.090	1.837	1.848
Interest cost on leases	0.122	0.305	0.252	0.225	0.159
Provision for cost of financing new schemes	0.000	0.000	0.369	0.252	0.218
MRP Existing Schemes	0.811	1.840	2.067	2.935	3.218
MRP New Scheme Proposals	0.000	0.000	0.000	0.117	0.151
<b>Total Financing Costs of Capital Programme</b>	<b>0.964</b>	<b>2.307</b>	<b>3.778</b>	<b>5.366</b>	<b>5.594</b>
<b>Affordability Indicator</b>					
Net Revenue Stream £ms	28.976	29.556	30.147	30.750	31.365

Ratio of financing costs to Net Revenue Stream	3.33%	7.81%	12.53%	17.45%	17.84%
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This Indicator shows the trend in the cost of capital against the net revenue stream of the Council. Net revenue stream is the estimate of the amounts to be met from government grants and local taxpayers excluding capital grants.

The higher the ratio, the higher the proportion of resources tied up to service net capital costs and represents a potential affordability risk.

The table below provides a reconciliation back to table 14 in the 2025/26 Budget Report elsewhere on this agenda.

	2023/24 Actual £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m	2027/28 Budget £m
<b>Total Financing Costs of Capital Programme from Table above</b>	0.964	2.307	3.778	5.366	5.594
Provision for cost of financing new schemes	0.000	0.000	-0.369	-0.369	-0.369
PSL costs MRP and Interest	0.000	-0.947	-0.948	-0.947	-0.947
Interest costs on revenue balances held	0.109	0.189	0.125	0.125	0.235
Interest Income	-2.884	-1.010	-0.925	-0.772	-0.726
MRP Variation Budget to Latest Forecast	0.000	0.040	0.000	0.000	0.000
Interest Variation from Budget to Latest Forecast	0.000	0.401	0.000	0.000	0.000
<b>Net Revenue Financing Costs</b>	<b>-1.811</b>	<b>0.980</b>	<b>1.661</b>	<b>3.403</b>	<b>3.787</b>

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

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

	2024/25 limit	2025/26 limit	2026/27 limit	2027/28 limit
Authorised limit – total external debt	£50m	£70m	£75m	£80m
Operational boundary – total external debt	£35m	£66m	£74m	£75m

Authorised limit – total external debt – this includes Finance leases.

Operational Boundary – total external debt – this is based on the debt outstanding on forecast finance leases and potential external borrowing.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the annual treasury management strategy approved by Council. Three times a year, the Treasury Management and Investment Sub-committee meets to review activity and any new material issues, recommend new strategies and review year-end performance.

## 1.7. **Sustainability – Capital Funding**

### **Capital Receipts from Disposals**

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

The Council has a plan for disposals of assets. The Council will be considering plans to dispose of several sites in the period up to the end of March 2028. Not all disposals will result in a capital receipt and there may be other benefits such as nomination rights for the use of affordable housing developed by Registered Social landlords (RSL's) on previously owned Council sites. There could be revenue costs associated with the disposal of assets and a loss of income which should be considered before a decision is made on the disposal.

Sites Under Consideration for disposal are listed below. Individual values of estimated receipts are not shown for commercial reasons.

1. Chelmer Waterside
2. Riverside Surplus Land
3. St Michaels Drive Roxwell Garage Site
4. Pease Place East Hanningfield
5. Glebe Road South Car Park
6. Rectory Lane East Car Park
7. Medway Close Garage Site
8. George Street Car Park
9. Railway Street Car Park
10. Meadows Land
11. Boreham Exception Site
12. Waterhouse Lane Petrol Station
13. Writtle Street Car Park (Land at Cricket Club)
14. Various Council owned dwellings currently used as temporary accommodation

A more cautious approach to the timing of receipts has been taken to move towards a 'worst-case' funding assumption reflecting economic conditions. The development potential of some larger sites is being considered but due to the uncertainty of the developments and the timing no receipts are being shown for the period up to 31/03/2028.

At the end of 31/3/2025 there is no material forecast holdings of capital receipts from asset sales. All of the smaller receipts collected will have been applied to resource the capital spend.

As detailed above, the limited forecast of capital receipts decreases the sustainability of capital funding and unless external sources of funding are identified for individual capital projects then borrowing will be required for future capital spending and the affordability of borrowing will need to be kept under review.

Where a disposal results in a receipt it should be carefully considered how that receipt should be applied to the funding of the capital spend.

### Funding of the Replacement Programme

The Council borrows against shorter life assets to fund them. An example of the impact of borrowing against short term assets on the revenue budget is shown in the table below. It shows that the MRP cost charged to revenue is a much higher percentage for replacements than the capital schemes compared to the amount of borrowed.

Forecast MRP Charge on New Borrowing in 2025/26	Forecast Borrowing in Year	% of Spend	MRP Charge	% MRP Charge
Capital Schemes Capital Borrowing in Year	£15.999m	79%	£0.314m	37%
Capital Replacements	£4.267m	21%	£0.531m	63%
<b>Total</b>	<b>£20.266m</b>	<b>100%</b>	<b>£0.845m</b>	<b>100%</b>

It is expected that short term assets will need to be funded by borrowing and will attract higher financing costs as shown in the table.

An detailed exercise will need to be undertaken to assess the future cost of a full cycle of all the short-term replacements (those assets with 10 year or less life) required by services and what the impact will be on revenue. Depreciation charged on prior years' spending can be identified for vehicles and equipment which will be a good indicator of the cost going forward. As plant is normally treated as a component and added to the value of the building it will be more difficult to assess the future cost.

### Risk

To reduce the risk of overspends, it is intended that wherever possible budgets should only be approved following completion of a business case when validated/robust scheme costs have been identified allowing for suitable contingencies and inflation. Once schemes are approved regular monitoring is undertaken to identify those schemes at risk of overspending or not being delivered on time so that appropriate action can be taken. To support risk management a corporate project management "tool kit" for officers undertaking large projects has been implemented in 2024/25.

As part of capital planning, a number of potential future projects or needs for additional funding have been identified. These are included in the Unapproved Priorities List. The list will be kept under review, which should improve planning of capital financing and minimise the risk of allocating resources against lower priority schemes.

The updating of building condition surveys has reduced the risk of not identifying high need capital spend in timely manner and improve prioritisation in short term. As these are carried out on a rolling programme there remains a risk that future capital costs have not been included beyond 2026/27. The next round of condition surveys is due in 2028/29 which will improve the accuracy of longer-term forecasting of costs.

The resourcing of the capital spend has been based on assumptions of receipts, grants and contributions being received and applied. To minimise risk, these assumptions have been prudent, however circumstances outside of the Council's control, such as economic environment, may impact on the timing of receipt of resources.

Future decisions in relation to the method of application of Community Infrastructure Levy to priority schemes may lead to an increase in borrowing costs, but may aid prioritisation of funding long term priorities.

### Summary

The responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with Full Council. The level of the Council's borrowing is significant, reaching a forecast £77m by March 2028 with a £5.7m revenue cost and this differs from the budget report as the amount shown here includes a technical adjustment for temporary Accommodation funded by Private Sector Leases.

All members need to be fully informed as to all implications of its capital investment decisions, in particular those funded from borrowing. Council is asked to approve the 'Authorised Limit for External Debt' as shown in the table in section 1.6, £70m in 2025/26.

The borrowing and financing figures above do not include any costs for scheme proposals on the Unfunded Priorities List (Annex 1). These should be reviewed and brought forward for consideration on the basis of priority and affordability.

Due to the timing and uncertainty of receipts from disposals this strategy is currently based on the assumption that there will not be any large receipts in the period covered by the report. If capital receipts are realised for some of the larger strategic sites such as Chelmer Waterside within this period there will be significant benefits to the forecast.

Regular reporting and reviews of capital schemes costs, condition surveys and resources will ensure capital plans remain affordable.





## Treasury Management Strategy

- 1.1 Treasury Management at Chelmsford City Council is conducted within the code /framework set by the Chartered Institute of Public Finance and Accountancy. *Treasury Management in the Public Services: Code of Practice 2021 Edition* requires the authority to approve a Treasury Management strategy before the start of each financial year. This report fulfils the authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA code.
- 1.2 Treasury Management covers the management of the Council's cash flows, borrowing and investments, and any associated risks. Chelmsford City Council has substantial cashflows and investments from its activities and is therefore exposed to a series of financial risks including the loss of invested funds. Risk also arises from possible changes in interest rates affecting investment income or the cost of any external borrowings.
- 1.3 The Council's investment priorities are, in order of priority:
- (a) the security of capital,
  - (b) the liquidity of its investments; and
  - (c) yield.

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

- 1.4 Borrowing purely to invest or lend on to make a return is unlawful and this Council will not engage in such activity. The borrowing to fund the capital programme is allowed and including borrowing up to a year in advance to secure the funding or de-risk the interest rates. Officers will aim to minimise borrowing costs by investing surplus cash based on forecast cashflow needs.
- 1.5 In the event of unforeseen major changes to the external environment or financial plans of the authority, it may be necessary for the Council to revise its strategy during the year.
- 1.6 This Treasury Management Strategy will focus solely on investments arising from the organisation's cashflows and debt management activity. Non-treasury investments will be covered separately under the Investment Strategy (**Appendix 2**). The monetary limits on borrowing will be set in the Capital Strategy which forms part of the 2025/26 budget papers going to Cabinet and Council in January and February.

## 2. External Context

- 2.1 The macroeconomic environment has a significant impact on the Council's treasury operations via inflation, interest rate and counterparty risks. The Council obtains advice on macro-economic issues from its Treasury advisor, Link, and public news sources. Our treasury advisor, Link, is changing its name to MUFG Corporate Markets from January 2025 but will be referred to as Link through this document.

## The Economic Environment and Interest Rate Forecast

2.2 The Bank Base Rate at the start of the financial year was 5.25% and was reduced to 5.00% in August and to 4.75% in November. Interest rates are generally expected to fall further.

2.3 The Office for Budget Responsibility (OBR) predicts the UK economy will grow by 2% in 2025, and 1.8% in 2026.

CPI inflation was running at 2.6% in November up from 2.3% in October and this is higher than the Bank of England's 2% target and could delay expected interest rate cuts.

Average wages excluding bonuses increased by 4.8% July to September 2024. A significant reduction in interest rates is less likely while wage growth remains at this level.

A factor that may offset wage and inflation growth in the Bank England decisions on interest rates is actual overall economic growth that fell by 0.1% in October. There are on balance expectations that interest rates will fall in 2025.

2.4 Below is Link's interest rate forecast for the period 2024 to 2027 and officer use this for planning. The expectation of the normal/neutral interest rate is within the range 2.5% to 3.5%. Actual Treasury Management activity will follow prevailing market conditions.

Link Group Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
<b>BANK RATE</b>	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

### 3. Forecast cashflow and external borrowing for the City Council

3.1 Forecast year-end investment balances are in the table below. These are best estimates at this stage (*Please note: if any changes are made to the capital programme in the budget, then the figures below will be amended before the report is presented to Council by the s151 officer.*)

Date	31/03/2024 Actual (£m)	31/03/2025 Forecast (£m)	31/03/2026 Forecast (£m)	31/03/2027 Forecast (£m)	31/03/2028 Forecast (£m)
Year-end <b>investment</b> held	25	14	14	14	14
Cumulative External <b>Borrowing</b>	5	26	58	66	68

In practice the amount of borrowing could well be lower due to slippage in of capital expenditure and if income such as CIL arrives earlier than expected.

### 3.2 Investment forecast

During most months, the cash balance can rise and fall by up to £15m due to receipt of various income and payments including precepts to other Essex bodies. The Council should therefore aim to keep sufficient cash in hand to manage these fluctuations. However, the Council can undertake temporary borrowing and will do so wherever needed, to ensure sufficient liquidity.

The financial year-end tends to be the lowest point for the Council's cash balances. This is because most residents pay their Council Tax over 10 instalments, but the Council pays these out to central government and other precepting authorities monthly; so significant net cash outflows occur in February and March each year. The principles to establish how investments should be managed are discussed in Section 4 below.

The £14m forecast investment balance is made up of cash for liquidity of £5m and £9m of long-term investments. The long-term investments are supported by reserves and other balances. A minimum of £10m of investments needs to be held by the Council to satisfy money market regulations (MiFID II requirements required £10m to enable the Council to maintain its professional client status).

### 3.3 Borrowing Forecast:

The Capital Strategy published with the Revenue 2025/26 budget papers will include debt limits reflective of the 2025/26 budget. A summary over page provides a breakdown of forecast borrowing position.

The CFR (Capital Financing Requirement) is the amount of capital expenditure the Council has financed by (internal and external) borrowing. The capital strategy will update the forecast of the CFR. The table below shows current estimates. This may be amended by s151 before this report is taken to Cabinet.

	<b>March 2024 Actual £m</b>	<b>March 2025 Forecast £m</b>
Capital Financing Requirement	37.6	47.6
<b>Made up of:</b>		
Surplus cash internally borrowed	31.2	15.9
External Debt (leasing)	1.4	5.7
<b>External Borrowing</b>	<b>5.0</b>	<b>26.0</b>

It is not unusual for councils to hold investments whilst external debt is being used to fund capital expenditure as, the Council has reserves that are cash-backed which can be invested for long-periods as the Council always maintains a certain level of reserves and working capital.

The Council may partially reduce investments by internally borrowing the cash (balance sheet resources) to fund the capital programme instead of external loans. This can lower financing costs payable by the revenue budget compared to external borrowing.

#### 4.0 **How we intend to Borrow**

4.1 This section of the strategy sets out the Council's methods to borrow. Long-term borrowing is only used to fund the capital programme so the level of borrowing will never exceed the CFR (Capital Financing Requirement) for any meaningful amount of time. As previously stated in Section 3.3, the CFR is the amount of capital expenditure the Council has which will be financed by internal or external borrowing. The CFR will be determined by the decisions in Budget Report 2025/26.

4.2 The use of internal borrowing is undertaken where possible, instead of externalising debt, however, the Section 151 Officer will monitor the position to determine the optimal mix. Seeking to strike a balance between minimising interest costs, securing certainty of borrowing costs and ensuring it has the liquidity required.

4.3 Examples of where the Council can seek to borrow funds from are:

- Public Works Loan Board (PWLB). This is only allowed if a Council has no approved capital plans to purchase assets primarily for the purposes of yield. More details can be found in the Investment Strategy and paragraph 3.8 below.
- Other UK Local Authorities. This is usually relatively short-term debt running from a few days to two years in duration.
- Any institution which meets the Council's investment criteria.
- UK public or private sector pension funds (Excluding the Essex Local Authority Pension Fund).

4.4 The PWLB can lend to local authorities for any duration up to 50 years. The PWLB is the source of loans/funds if no other lender can provide finance. The PWLB will not lend to an authority that plans to buy investment assets primarily for yield. The Section 151 Officer will be expected by the PWLB to certify that no such purchases are planned.

From a Treasury Management perspective, it is recommended that the PWLB should be retained as a borrowing option and therefore the purchase of investment assets primarily for yield should not be considered. This is recommended not only due to the reduced rates available through PWLB but due to the backstop accessibility of this source of borrowing.

4.5 Borrowing officers can undertake for the Council is limited by the following debt indicators, the amounts are approved each in the Capital Strategy:

- The Authorised Limit is the limit placed by the Council on the absolute level of its gross debt at any time. The Local Government Act 2003 stipulates that it must not be breached at any time. When setting the limits, these will need to be consistent with the liability benchmark as this shows the borrowing requirement to fund the forecast capital programme.
- The Operational Boundary of external debt is lower reflecting the planned maximum level of debt at any time, the difference being designed to give headroom to deal with unforeseen movements in cash flow. A sustained or regular trend above the Operational Boundary would require investigation and appropriate action.

The calculations are linked to the CFR (the overall borrowing needed to fund the capital programme).

During the financial year TMISC will receive reports on how any borrowing compares to the indicators.

In Annex 4 of this report, Prudential Borrowing and Investment indicators are shown.

4.6 Officers will undertake short-term borrowing for liquidity purposes.

4.7 In addition to borrowing via loans, other debt financing models may be used to finance the capital programme where this represents best value for the authority. These forms of debt are included in the overall borrowing limits. Such debt finance models include:

- Sale and leaseback arrangements
- Hire purchase arrangements

## 5 How we intend to Invest

5.1 Investment objectives are in order of priority:

- Security of assets – investing in counterparties only where the risks of incurring a capital loss through default, and the risks of late payment of principal and interest, are low. Also, by spreading risk as widely as is practically possible.
- Liquidity – Ensuring that the authority can access enough cash to meet its obligations with appropriate notice. It is recommended for 2025/26 a target of at least £5m of short-notice funds is held. The definition of short notice will be any held for less than or equal to 35 days.
- Yield – subject to the management of risks associated with security and liquidity of assets, the Council will seek to maximise the yield from its investment portfolio.

The Government regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. The Council will aim to achieve the optimum return on its investments with proper levels of security and liquidity that is within the Council's risk appetite.

5.2 The Council uses credit ratings and Link Group's advice to determine suitable counterparties. Link Group employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies.
- CDS spreads that may give early warning of changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

Link combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The result is a series of colour-coded bands which indicate the relative creditworthiness of counterparties.

The Council's policy has been and is recommended to differ from Link Group advice when it comes to duration of investments with Banks (UK and Foreign) and Building Societies. The Council's officers have focused more on long-term credit ratings and an assessment of systematic importance to the UK economy when assessing investment duration. This means the Council has a slightly longer duration and slightly less Counter

parties than suggested by Link Group, but still maintains diversification of investments and security of the Council's assets.

Given the advice received by the Council regarding credit risks, and potential economic activity, the Council will not change its approach in 2025/26 and will retain within the strategy the following investment types (**see Annex 2 for background**):

- Enhanced Money Market Funds & Money Market Funds (MMF)
- UK Public bodies
- Unsecured Bank Investments
- Unsecured Building Society Investments
- Unsecured Non-UK Bank Investments
- Unsecured Registered Social Landlord Loans
- Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds
- Multi Asset funds, Bond funds and Property funds

**Annex 3** sets out the background detail relating to counterparties, also limits of size of investment and durations. These are unchanged from previous years.

- 5.3 The institutions the Council can invest with are well-capitalised. General credit conditions across the sector are expected to remain benign, limiting the chances of losses to the Council. However, no investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit-rating criteria.
- 5.4 Public Bodies provide much less risk as investment counterparties, but yields can be vary depending on the liquidity available within the market. The Council will consider security, liquidity and return when reviewing new investments over different organisations and different investment categories (pooled funds, public bodies, etc.) to provide a satisfactory balance of security of capital and return. The City Council will avoid lending to councils that have a section 114 notice but there is no evidence that a s114 notice makes a loss of investment more likely.
- 5.5 Changes in valuation of the Muti-Asset fund holding under IFRS9 accounting standards are chargeable to a company's profit and loss in the financial year. For a Council, if IFRS 9 were applied, it would mean the local taxpayer meeting valuation changes through the general fund as cost or gain even if they were due to temporary volatility. An IFRS 9 statutory override was applied by Government to local government since 2018 and was extended until 31 March 2025 and the Government is consulting on its proposal to not to extend this override beyond its current end date. The Council is expected to able to manage any consequences from IFRS9 through it reserves.
- 5.6 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's approach does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

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

Therefore, externally managed funds will be required have regard for ESG, but this is not possible for internally managed bank deposits and short-term investments (money market funds).

- 5.7 The Council's cashflow and need to borrow mean officers expect investments during 2025/26 to be relatively short in duration.
- 5.8 The indicative budget for interest income for 2025/26 is £925K based on an average investment portfolio of £21m at an interest rate of 4.35%. If actual levels of investments or actual interest rates differ from those forecasts, performance against the budget could be significantly different. The interest income is highly dependent on the timing of capital programme expenditure.

## 6 Role of the Treasury Management and Investment Sub-committee

- 6.1 The Sub-committee will be informed of investment, borrowing activity and of significant changes in conditions that may lessen or increase the risks of Treasury Management activity. The Sub-committee will, where necessary, consider changes to the strategy and report back to Council.
- 6.2 Reporting and reviewing of treasury management activity will include
- Monitoring Treasury management indicators (**Annex 4**): The code requires local authorities to have regard to certain treasury indicators. The indicators will assist in measuring and managing the Council's exposure to Treasury Management risk in 2025/26. The 2021 Prudential Code introduced Prudential indicators and a requirement for monitoring to be reported formally on at least a quarterly basis. However, due to the volume of finance reports already made to formal committees, it is recommended that reporting is three times a year to TMISC or Cabinet. Officers believe the existing 3 meetings of the TMISC committee are sufficient.
  - The indicators in reality include limits and indicators. Limits should not be breached, and if they are, TMISC should report that to Full Council, whereas indicators can be breached during the year if necessary. TMISC should seek clarification on why an indicator is breached and seek appropriate actions.



## **Investment Strategy**

This document ensures compliance with the requirements of the CIPFA Prudential Code and the Ministry of Housing, Communities and Local Government (MHCLG) guidance on local authority investment. The CIPFA code and MHCLG guidance recognise that organisations may make investments for reasons outside of treasury management objectives and these investments may prioritise other objectives above the security of capital.

### **Contents of the Investment Strategy**

- The types of non-cash investments
- How Council monitors performance
- The role of the sub-committee

### **Investment Primarily for Yield (overarching principle)**

Guidance from the PWLB issued in 2020/21 bans any local authority from borrowing from it if, in the current or following 2 years, the authority has plans in its capital programme to invest in assets to be held primarily for yield. The City Council can access non-PWLB sources to fund capital investment. However, the Council previously approved the principle that keeping access to PWLB borrowing was more important than keeping the option to undertake the purchase of investment property primarily for yield. The recommended overarching principle in the investment strategy is that the Council will not undertake any capital investment with the primary objective of yield. The CIPFA 2021 Prudential and Treasury Management best practice code is explicit that authorities must not borrow for the primary purpose of earning a financial return.

### **Service Investments: Loans and Shareholdings**

These covers making loans to, and buying shares in, local service providers, local small businesses to promote economic growth, and, for some authorities, subsidiary companies that provide services. Considering the public service objective, Councils can take moderate risk with the principal invested.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans have been set as follows: -

Category of borrower	31.3.2024 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Chelmsford City Football Club	£0.083m	£0.083m	£0.000m	£0.021m
CHESS (Support for Homeless Service)	Nil	Nil	Nil	£0.700m
Maximum New loans if required.	Nil	Nil	Nil	£10.000m
<b>TOTAL LIMIT</b>	<b>£0.083m</b>	<b>£0.083m</b>	<b>£0.00m</b>	<b>£10.721m</b>

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

The football club has made 3 payments during 2024/25 and has one final outstanding that is due to be paid in the next financial year.

The Council will monitor the financial position of the recipient or potential recipient using (but not limited to) credit ratings where appropriate, published financial information (such as annual accounts), press articles and by maintaining an open dialogue.

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

There may be times to approve items outside this process, due to urgent health and safety issues for example, or the need to respond quickly to market opportunities. These changes will need approval in line with the constitution.

### **Commercial Investments:**

MHCLG defines property to be a commercial investment if it is held primarily to generate a financial return. This type of investment may also involve making loans to subsidiaries or partners, where the aim is achieving profit.

The Council's commercial property investments are summarised below. No new assets have been acquired since last reported; any increases shown reflect improvement or refurbishment works.

There was a fall in valuation of the Aquarium office building as result of lower occupancy and the broader market having lower demand. The value of Meadows Retail Shopping Centre fell due to low rents and occupancy.

Property Type	31.3.2024 actual				31.3.2025 expected				
	Disposals In Year	Transfers to PPE in Year	Works and Gains or (losses)	Value in accounts	Acquisitions In Year	Disposals In Year	Transfers to PPE in Year	Works/ Additional Gains or (losses)	Value in accounts
Office	£0.0m	£0.0m	-£4.9m	<b>£15.7m</b>	£0.0m	£0.0m	£0.0m	-£0.2m	<b>£15.4m</b>
Other	£0.0m	-£0.2m	£0.1m	<b>£4.7m</b>	£0.0m	£0.0m	£0.0m	£0.1m	<b>£4.7m</b>
Retail	£0.0m	£0.0m	-£22.2m	<b>£33.8m</b>	£0.0m	£0.0m	£0.0m	-£0.1m	<b>£33.7m</b>
Industrial	£0.0m	£0.0m	£0.0m	<b>£0.0m</b>	£0.0m	£0.0m	£0.0m	£0.0m	<b>£0.0m</b>
<b>TOTAL</b>	<b>£0.0m</b>	<b>-£0.2m</b>	<b>-£27.0m</b>	<b>£54.1m</b>	<b>£0.0m</b>	<b>£0.0m</b>	<b>£0.0m</b>	<b>-£0.2m</b>	<b>£53.9m</b>

The Council will consider the purchase of commercial property but only where it supports regeneration, facilitates land assembly for future regeneration projects, or supports Council priorities set out in "Our Chelmsford: Our Plan" but not where the primary purpose would be for yield.

Properties will only be purchased within the Council's geographic area.

Any properties that generate commercial yield will be monitored by the Treasury Management and Investment sub-committee until redevelopment occurs.

### **Loan Commitments and Financial Guarantees**

Although not strictly counted as investments since no money has exchanged hands, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness. The Council is entering into a new loan agreement with CHES (Support for Homeless Services) of up to £700K to help finance their redevelopment of a Homeless Accommodation.

### **Capacity, Skills and Culture**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Accountancy Services Manager (Section 151 Officer) is a qualified accountant with over 30 years' experience and the Head of Property is a member of the Royal Institution of Chartered Surveyors with over 20 years' experience in both Public and Private Sectors. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and external short courses to keep abreast of developments and maintain up to date skills and knowledge.

**Elected members:** The Council does not expect members to make investment decisions but to understand the risks the Treasury Strategy creates. The Council therefore provides training for members on the appropriate issues by providing advice and access to Link Group, the Council's Treasury Advisors.

**Training and qualifications:** Documents and schedules will be kept of training and qualifications of the key roles.

**Due Diligence:** When undertaking investments there is a need to recognise where the Council is lacking detailed market knowledge and then external advisors will be employed. The Council uses Link Group as Treasury Management Advisors and external property valuers are engaged when undertaking material purchases.

### **Investment Indicators (Limits or Indicators)**

The Authority must set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.

**1) Total investment risk exposure (indicator):** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

<b>Total investment exposure</b>	<b>31.03.2024 Actual</b>	<b>31.03.2025 Forecast</b>	<b>31.03.2026 Forecast</b>
Treasury management investments	£25.5m	£14.0m	£14.0m
Service investments: Loans	£ 0.1m	£0.7m	£0.7m
Commercial investments: Property	£54.1m	£53.9m	£54.1m
<b>TOTAL INVESTMENTS</b>	<b>£79.7m</b>	<b>£68.6m</b>	<b>£68.8m</b>

The commercial property forecast values shown above are projected changes arrived at after discussions with the Council's external valuer. It has been assumed that offices remain relatively static, with retail and other property types having a 1% increase except for Meadows Retail and Aquarium Office.

**2) How investments are funded (indicator):** Investments funded from borrowing have more risk than those funded from surplus resources, so Government guidance is that there should be indicators on how investments are funded. Since the Authorities do not normally associate particular assets with specific borrowing liabilities, this guidance is difficult to comply with. However, the following table probably best describes any borrowing link to investments.

<b>Investments funded by borrowing</b>	<b>31.03.2024 Actual</b>	<b>31.03.2025 Forecast</b>	<b>31.03.2026 Forecast</b>	<b>31.03.2027 Forecast</b>
Service investments: Loans	Nil	Nil	Nil	Nil
Commercial investments: Property*	£6.8m	£6.7m	£7.9m	£7.8m
<b>TOTAL FUNDED BY BORROWING</b>	<b>£6.8m</b>	<b>£6.7m</b>	<b>£7.9m</b>	<b>£7.8m</b>

\*In 2019/20 to alleviate the temporary costs of the pandemic, the Council choose not to make revenue contributions to capital. The overall level of borrowing would have been lower, and the commercial assets (Aquarium offices) would not have been funded from internal borrowing. The additional borrowing in 2026 and 2027 relates to remodelling works to existing properties and development of existing sites.

**3) Rate of return received (indicator):** This indicator shows the net investment income received less the associated costs, including the cost of borrowing where appropriate, the calculated as a proportion of the sum initially invested.

<b>Investments net rate of return (income)</b>	<b>2023/24 Actual</b>	<b>2024/25 Forecast</b>	<b>2025/26 Forecast</b>
Treasury management investments	5.5%	4.7%	4.3%
Service investments: Loans	Nil	Nil	Nil
Commercial investments: Property	6.6%	6.5%	5.7%
Treasury Management Income £ms (draft estimate 25/26)	£2.9m	£1.5m	£0.9m
Investment Rent Income £ms (draft estimate 25/26)	£3.5m	£3.1m	£2.9m

#### 4) Other investment indicators

The Section 151 Officer has identified the following estimates to help assess Risks and Proportionality of investment activity at the Council:

<b>Estimates</b>	<b>2023/24 Actual</b>	<b>2024/25 estimate</b>	<b>2025/26 estimate</b>	<b>2026/27 estimate</b>	<b>2027/28 estimate</b>
Income from Treasury Management as Percentage of Net Revenue Stream	8.5%	4.1%	2.6%	2.1%	1.9%
Commercial Income as percentage of Net Revenue Stream (to be replaced with next line in 2025/26)	13.5%	12.2%	11.5%	11.9%	13.9%
Commercial Income as percentage of Net Service Expenditure	11.5%	10.3%	9.6%	9.9%	11.4%
Total Borrowing Undertaken to Fund Investment Properties	£6.8m	£6.7m	£7.9m	£7.8m	£7.6m

The estimates/indicators reflect historic decisions, and the schemes included in the proposed/approved Capital programme.

#### 5) Investment Indicator Limits

Below are limits on investments which reflect the estimates above plus allowance for some headroom or flexibility to undertake higher levels of investment activity. The limit is that recommended by the Section 151 Officer. These limits are required under Government

guidance and should not be exceeded. If the Council does exceed these limits, then it is expected not to rashly dispose of investments but instead should avoid entering any further investments except for short term Treasury Management activity until appropriate alleviation of the breach is undertaken.

Limits	2023/24 Limit	204/25 Limit	2025/26 Limit	2026/26 Limit	2026/27 Limit
Commercial Income as percentage of Net Service Expenditure <i>(to be replaced in 2025/26 with the limit below)</i>	14%	11%	14%	14%	14%
Commercial Income as percentage of Net Revenue Stream			19%	19%	19%

A new limit has been added to the table above as it is proposed to switch in 2025/26 to Net Revenue Stream to be more line with code.

#### **Role of Treasury and Investment Sub-committee**

The non-cash investments require continuous monitoring, and the role of the sub-committee is to undertake that ongoing assessment. At a previous sub-committee meeting it was agreed that the following would be the basis of the ongoing monitoring:

- Any changes in the portfolio in the period (acquisitions and sales)
- All charges and receipts, indicating any arrears.
- Capital expenditure; planned or reactive.
- Performance against budgets; both expenditure and income.
- Any potential changes to the income through lease renewals and rent reviews.

The Sub-committee is also responsible for recommending the Investment Strategy. The strategy requires Full Council approval.

## Unfunded Priorities List Identified December 2024

	<b>Proposed Schemes</b>	<b>Brief Overview of Proposal</b>
	<b><u>Leader</u></b>	
1	Accommodation Strategy - Coval Lane Building	To relocate staff in Coval Lane to Duke Street with the intention to rent out the majority of the Coval Lane Building with the aim of covering fixed costs whilst also generating a rental income.
	<b><u>Active Chelmsford</u></b>	
2	SWF Leisure Gym & Studio expansion	To convert existing "gym" to enhance health & fitness facilities to enable daytime use in line with the swimming pool
3	Hylands Walled Garden	To bring walled garden into use (TBA) with a commercial partner. Feasibility, followed by market testing - will likely need some CCC financial input
	<b><u>Strategic Outdoor Sports Provision</u></b>	
4	Runwell Sports and Social Club	Provision of additional facility for community by third party funded from S106 Contributions
5	Community Sports Ground North Chelmsford (East New Hall School)	Provision of additional facility for community
6	Melbourne Park Changing Room Pavilion, Flood lighting and surface replacement of multi-sport Courts	Enhancement of existing community facility
7	Coronation Park additional Rugby Pitch	Provision of additional facility for community
8	Additional 3G Pitch - Warren Farm Sports Area additional floodlit artificial pitch	Provision of additional facility for community
9	Saltcoats Park and Compass Gardens - new cricket and football facilities and sports pavilion	Provision of additional facility for community
10	Springfield Hall - enhanced floodlit football facilities	Enhancement of existing community facility
	<b><u>Connected Chelmsford</u></b>	
11	Museum Re-imagining The Bothy, Oaklands Park	Adaptations to expand use of asset
	<b><u>Fairer Chelmsford</u></b>	
12	Housing Initiatives Provision	To continue to increase provision of temporary and affordable housing.
	<b><u>Greener Chelmsford</u></b>	
13	Sandford Mill Future Use of Area	
14	Rivers, Waterways and bridges - development and Improvement	Parks, Green Spaces and Waterways Strategy 2022 and Improvement Plan for Rivers and Waterways Policy Board 2022

15	Cemetery and Crematorium Infrastructure	To enable provision of current service at new location
	<b><u>Growing Chelmsford</u></b>	
16	Local Plan Digital Platform	Replacement digital solution to engage, prepare, consult and monitor future Local Plan
17	Public Realm - Market Square (1)	Enhancement to Market Square to make the space more attractive and active
18	Public realm - Half Moon Square to Stone Bridge (2)	Improve public realm in city centre
19	Public Realm - Stone Bridge to Baddow Road (3)	Improve public realm in city centre
20	Public Realm - Springfield Road (4)	Improve public realm in city centre
21	Cathedral Precinct Enhancement Scheme	Public realm enhancement to Cathedral Grounds and adjoining connecting spaces
22	ECC Army and Navy Contribution	Contribution to ECC to enable development of highways
23	ECC East Chelmsford Cycling & Walking Connectivity	Contribution to ECC to enable works
24	Q-Tech Park	Economic development initiative
25	Car Parking - Future requirements	Potential decked car park
26	Townfield Street Improvement works	Staircase and lobbies structural and waterproofing works
27	North-East Chelmsford Garden Community Infrastructure Ringfenced CIL	New development
28	South Woodham Ferrers Town Infrastructure - Ringfenced CIL	Improve facilities
29	Land Bank	To create a provision to acquire new land for the future (not from CIL)
30	Park and Ride	



## Treasury Investment Types

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

The Council invests short-term cash in several AAA-rated money market funds. These funds provide a rate of interest (4.68%-4.76% in November 2024) and most importantly allow same-day access to funds. Interest rates are linked to the BOE base rate and so any increase in this will feed through to the rates earned for the Council.

These funds spread the Council's investment over many financial institutions, so reducing risk. Historically the funds have proved very safe.

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

Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans). These are theoretically as safe as lending to Government, but what would happen should a Local Authority go bankrupt has never been tested in law. It is therefore prudent to place some limit on investments with each local authority but recognising this type of investment is much safer than most alternatives.

**Unsecured UK bank investments.** The changes to UK Bank regulation from the adoption of a "bail-in" approach to recapitalising banks and the move to ringfencing of UK bank retail operations have increased the amount that could be lost in the event of a bank failure. With the completion of ringfencing activities by major banks to protect retail investors from investment banking losses, different banks have placed local authority depositors in either the retail or investment banking divisions. It should be noted that the credit scores for the banks to which the Council lends have either remained the same or improved because of ringfencing. The Council believes that it is prudent to invest with banks who are on Link Group suggested lists. Link Group only suggest investments with UK banks for up to 6 months for the majority of those listed. The Council differs from Link Group advice in terms of the length of investment, up to a period of 365 days. But only if the credit rating criteria (below) are met and no information is available that identifies unacceptable risk. The Council will not invest with any bank that is not on the suggested Link Group list.

**Unsecured building society investments.** Link Group recommend a pool of Building Societies that it suggests clients could invest with. Where our criteria do differ to Link Group relates to the suggested duration periods where Link Group only recommend up to a maximum of 6 months. The Council current policy goes beyond Link Group advice and lends up to 365 days.

It is recommended that the Council's treasury strategy takes a different approach to investing with building societies than that suggested by Link Group. If a building society has a long-term credit rating of at least A- then investments for up to 365 days should be allowed. This is the same as the Council's previous counterparty policy for Building Societies but is a higher risk approach than Link Group based on duration.

**Unsecured Non-UK bank investments.** Link Group review the approach to investment with non-UK banks separately to UK banks. This reflects the different risks and ownership structures that affect the security of the investment. The Council first uses Link Group advice to select appropriate non-UK banks and then uses credit rating information to make investment decisions. The Council uses credit rating of AA- for selecting investments with non-UK banks of up to a maximum of 365 days and A- for investments of up to 100 days.

The Council may differ from Link Group advice in terms of the length of investment, if the credit rating criteria above are met. The Council will not invest with any bank that is not on the suggested Link Group list. In practice, the Council's approach is more conservative than Link Group who, for non-UK banks with a Fitch rating of between A- to A+, suggest in many cases durations up to 6 months. The Council is broadly consistent with Link Group where the suggested duration is up to 2 years for the non-UK banks with a rating of AA-.

**Registered Social Landlord (RSL) Loans.** The Council can lend to RSLs in the pursuit of treasury management objectives but must treat any loans made for policy reasons as capital expenditure. The option to lend for Treasury purposes has been on the Council's counterparty list for several years but there has not been a suitable opportunity.

**Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds.** These are all different investment products but have in common the highest levels of credit rating. They are either backed by a pool of guaranteed bank assets or UK and/or foreign Governments. The Council takes advice from Link Group before undertaking any of these investments, so an investigation of the individual strength of each investment has been determined. They are rarely used by the Council.

**Multi-Asset, Bond and Property Funds.** These potentially offer the Council income and capital growth of the sum invested. There are several types of funds including property funds, bond funds, equity funds and multi-asset funds. Funds seek to reduce risk by building a pool of investments and as such are considerably safer than an investment of comparable size in a specific single asset.

However, any fund exposes the Council to market price volatility. Officers will carefully consider any investment opportunities and always keep any ownership under review. A review of the risks and benefits of using Funds was made in the summer of 2019 and which concluded that Multi-Asset, Bond and Property funds provide a suitable method to invest Council funds.

As at the end of November 2024, the Council has an investment of around £9m in 3 Multi-Asset funds.

## Counterparty – Duration and Monetary Limits

The duration that an investment is made affects the amount of risk to the capital invested. The longer the investment the more risk of some unexpected change occurring to the financial strength of the deposit taker. Perhaps, more importantly the Council can only invest for durations that enable Council's liquidity to be managed effectively. To reduce these risks limits can be placed on the length of investments. The Council is required by law to identify the proposed investment criteria under the categories Specified and Non-Specified, as shown below:

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

Non-UK Banks	A-	£3m each group	100 days	None
Registered Social Landlord Loans	A-	£3m each group	365 days	None
Covered Bonds	AA-	£6m	365 days	None
Reverse Repurchase Agreements (each agreement)	AA-	£6m	365 days	None
Supranational Bonds (per institution)	AAA	£6m	365 days	None

The counterparty limit for 2024/25 is £3m per financial institution and it is recommended that this is retained for 2025/26. Reducing the £3m limit would reduce the number of institutions willing to take Council deposits, as a smaller investment would be judged too small to be economic for large institutions. Indeed, there are many institutions who will not accept £3m from the Council as this is too small for them.

<b>Non-specified Investments</b>				
These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk.				
<b>Counterparty</b>	<b>Min. Credit Criteria</b>	<b>Max. Limit £m</b>	<b>Max. maturity period</b>	<b>Change from existing approach</b>
Multi-Asset or Bond funds	Unrated	£5m per fund	n/a	None
Covered Bonds (per bond)	AA-	£6m	3 years	None
Supranational Bonds (per each institution)	AAA	£6m	3 years	None
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m each authority	5 years	None

## Treasury Management Indicators

### Limits

- 1) **Long-Term Treasury Management Investments (Limit)** – The purpose of this indicator is to manage the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investment or the costs of enforced borrowing for liquidity purposes. The prudential limits on the long-term treasury management investment will be: -

Price Risk Indicator	2023/24	2024/25	2025/26	Investment Funds
Limit on total principal invested beyond year end	£10m	£10m	£10m	£12m

The £12m shown is a maximum limit for investment funds which have no fixed maturity date such as Multi Asset. Additionally, there is a separate £10m limit for sums invested in fixed term investments over 365 days in duration. The £10m limit for cash invested over 365 days is only expected to be used if cash balances turn out materially higher than forecast, which is unlikely.

- 2) **Counterparty limit** – The Council will be informed whether investments have been made within the approved limits for counterparties and any breaches will be reported during the year. The limits are shown in Annex 3.

### 3) Maturity structure of borrowing:

These gross limits set to reduce the Authority’s exposure to large amounts falling due for refinancing in a short space of time. Officers will have regard to prevailing interest rate assumptions when undertaking borrowing.

The Council is asked to approve the following treasury indicators and limits: -

Maturity structure of fixed interest rate borrowing 2025/26		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	50%
10 years to 25 years	0%	50%
25 years to 50 years	0%	50%
Maturity structure of variable interest rate borrowing 2025/26		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	50%
10 years to 25 years	0%	50%
25 years to 50 years	0%	50%

The borrowing limits are set within the capital strategy and the above shows the maturity structure of loans.

### Indicators that are Targets

- 1) **Liquidity** – The liquidity indicator is a voluntary measure that seeks to ensure that the Council has the necessary funds to meet unexpected payments within a rolling period without additional borrowing.

<b>Liquidity Risk Indicator</b>	Target
Total minimum cash available within 35 days	£5m

### 2) Liability Benchmark (indicator):

This indicator is a tool to help establish whether the Council is likely to be a long-term borrower or long-term investor and as a result aids long-term planning. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Ref.	Liability Benchmark	31/03/24 Actual (£m)	31/03/25 Estimate (£m)	31/03/26 Forecast (£m)	31/03/27 Forecast (£m)	31/03/28 Forecast (£m)
1	Capital Financing Requirement (CFR)	38	48	66	73	77
2	Less: Balance sheet resources	58	27	13	12	14
3	<b>Net loans requirement (Negative shows surplus cash/Positive are external borrowing requirement)</b>	<b>-20</b>	<b>21</b>	<b>53</b>	<b>61</b>	<b>63</b>
4	Plus: Liquidity allowance		5	5	5	5
5	<b>Liability benchmark (Negative shows surplus cash/Positive are external borrowing requirement)</b>	<b>-20</b>	<b>26</b>	<b>58</b>	<b>66</b>	<b>68</b>

<-----Externally Loans Borrowing----->

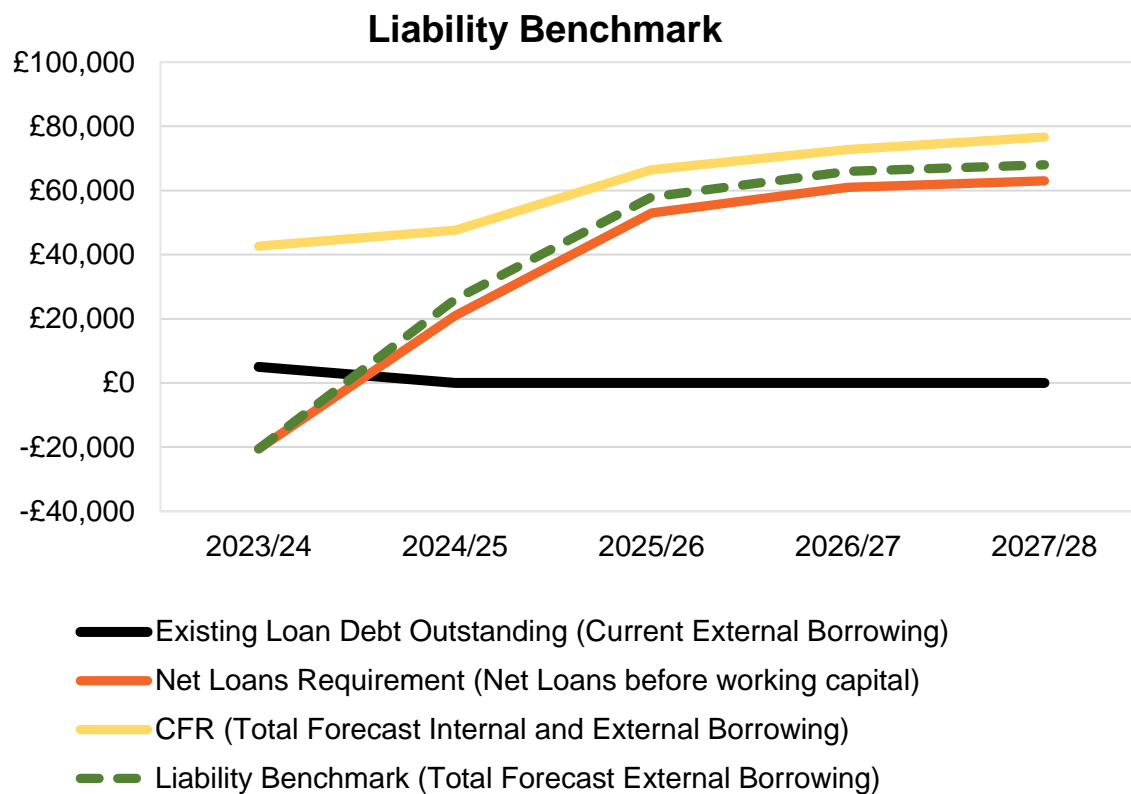
The table above shows

Ref 1 - our capital financing requirement, being total external and internal borrowing needed to fund the capital programme. Example at 31/03/24 the capital programme needed £38m of borrowing.

Ref 3 - is a forecast of any external borrowing expected/required. A positive figure means external borrowing is forecast to be required. This indicator will be updated by the Section 151 officer for January Cabinet to reflect any new budget proposals.

The current forecasts identify short-term borrowing of c.£26m will be needed towards the end of March 2025, £58m in 2025/26, and £66m in 2026/27 cumulatively.

The information above is shown graphically below.





## Chelmsford City Council

19th February 2025

Budget for 2025-26

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Report by: Cabinet Member for Finance

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**Officer contacts:** Phil Reeves, Accountancy Services Manager (section 151 officer).  
Tel: 01245 606562. Email: phil.reeves@chelmsford.gov.uk.

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### Purpose

Each year Cabinet is required to make a proposal to Council to agree a budget for the next financial year. This report contains the 2025/26 budget recommendations of Cabinet.

### Recommendations:

1. That the Council notes the report of the Section 151 Officer on the risks and robustness of the budget in **Section 8 (Appendix 1)**.
2. That the Council approves:
  - A. The budget report in **Appendix 1**, including:
    - i. The new Revenue and Capital investments and delegations in Council Services in **Section 5**.
    - ii. The Revenue Budgets in **Section 10** and Capital Budgets in **Section 11**
    - iii. An increase to the average level of Council Tax for the City Council increasing the average annual Band D Council Tax to £228.07 in **Section 9**
    - iv. The reserves and notes the budget forecast shown in **Section 7**
    - v. Special expenses, Parish tier Councils precepts as identified in **Section 9, Table 22**.
    - vi. 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.
  - B. The Council Tax Resolution in **Appendix 2** which fulfils the legal requirements to set a Council Tax for 2025/26.



## 1. Cabinet Proposal and Amendments.

1.1 The final Government grant settlement to the Council is £19k lower than estimated. This is solely due to lower than expected funding for the increase in employer national insurance contributions. The difference being small, the s151 has considered it not necessary to amend the budgets from those reported to Cabinet. The difference will be treated like all under or overspends in 2025/26 i.e. the consequence will impact on reserve use.

1.2 Under delegation the budget report by Cabinet has been amended to allow for:

- Updated estimates for Business Rate Retention Income. The Government requires Councils to formally set their business rate estimate at the end of January after Cabinet have met. The report to Council is amended to allow for this formal estimate but the impact on the Council's revenue budget is neutralised by transfers to the Business rate retention reserve. The reserve is used to hold the multi-year flow of entries for the Business Rate Retention scheme.
- The report now includes details of the proposed or approved 2025/26 Council tax levels for all precepting bodies. It should be noted that at the time of publication ECC precept has not been approved the figures shown reflect ECC's published proposal.

1.3 The budget report in **Appendix 1**, provides the funding for core Council Services and supports the aims of Our Chelmsford, Our Plan. The budget reflects the need to find budget reductions to offset low government funding and to invest in the priorities of the authority.

1.4 Section 1 of **Appendix 1** provides a summary of the budgetary issues.

1.5 Section 8 provides the view of budget proposals by the Section 151 officer as required by statute. Members are asked to have regard to that opinion when considering the budget.

1.6 **Appendix 2** fulfils the legal requirements needed to set a Council Tax for 2025/26.

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### List of appendices:

1. Budget Report 2025/26
2. Council Tax resolution

### 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: This report sets out the legal requirements placed on the Council to set a balanced budget and approve a level of Council Tax for the coming year. As is set out in the report Cabinet makes recommendations which fall to Full Council to take the final decision.

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: N/A

Risk Management: A review of the risks is in the report.

Equality and Diversity: The budget report itself does not require its own equality impact assessment but individual proposals within the report are considered for their impact, and equality impact assessments are produced where applicable.

Health and Safety: N/A

Digital: N/A

Other: N/A



**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. Since Cabinet, the Government has announced Local Government Reorganisation (LGR) for Essex councils which means that the City Council will be merged into a new unitary council during the forecast period to 2030 which this report covers. 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 £2.75m 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, pg18	2,947	1,720	1,770	1,830	1,880
Housing Temporary Accommodation, Benefit (before additional grant)	Sec 3,pg17	-223	650	830	540	260
Variations that are one off	Sec3, pg19	0	734	-229	-305	0
<b>Net Income (non-price - growth/+loss)</b>	Sec 4 pg20	-522	-1,130	-120	0	0
Growth	Sec 5, pg22	332	400	370	370	370
Capital Financing (including contributions to capital)	Sec6, pg29	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, pg37	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, pg15	-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, pg21	-80	-150	-50	0	0
Income - New and increased Fees and Charges	Sec 4,pg20	-3,024	-1,009	-921	-949	-978
Council tax increase and growth	Sec 9, pg47	-592	-598	-618	-638	-659
Council Tax deficit variatons	Sec 9, pg47	223	-378	0	0	0
Funding Gernated 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 and finalised figures in the last week of January. The final position was £19k lower, arising from less funding for the increase in employer national insurance contributions. Given the relatively small change in funding, it is considered pragmatic not to amend the estimates. The difference will be treated like all under or overspends in 2025/26 i.e. the consequence will impact on reserve use.

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 (provisional settlement figure) 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 (as previously noted the final settlement is £19k lower than shown)	-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.
- 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**

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.

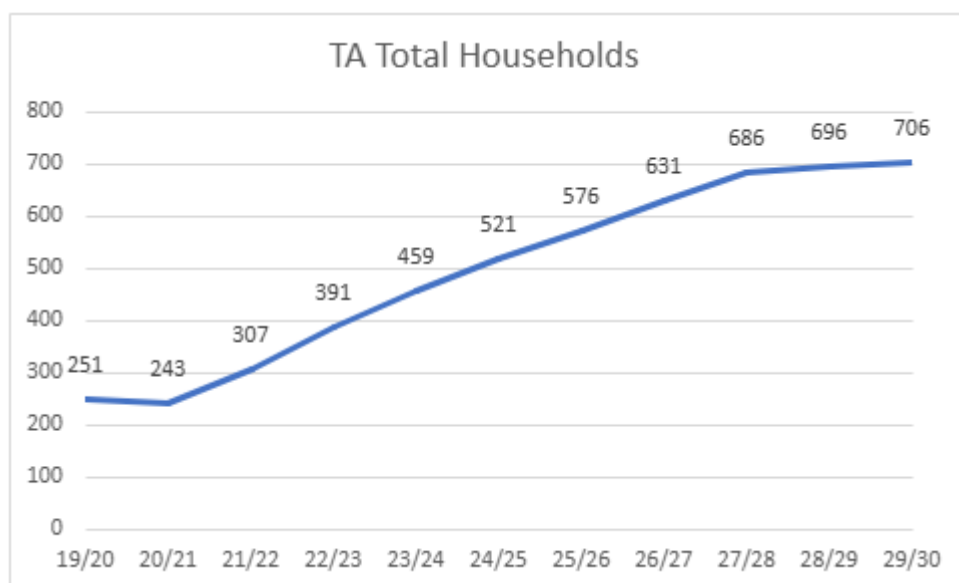
Homeless costs have risen from £1.365m, or 7.23%, of net spend Council spend in 20/21 to 19.72% of net council spend in 2025/26. This has the impact of reducing the ability of the Council to finance other services to residents. The table below shows that increase in thousands of pounds.

**Table 5**

<b>Budget for Temporary Accommodation</b>	<b>2020/21</b>	<b>2025/26</b>
	<b>£000s</b>	<b>£000s</b>
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 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
	£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**

	<b>Budget 2025/26 £000s</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>Other inflation</b>					
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**

	<b>Budget 2025/26 £000s</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>Variations that are one off</b>					
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**

Budget Reductions	Budget	New	New	New	New
	2025/26	Forecast	Forecast	Forecast	Forecast
	£000s	£000s	£000s	£000s	£000s
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
	Funding Details	£000s	£000s	£000s	£000s	£000s	Later Yrs	Spend
		£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
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
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	-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, pg18	1,720	1,770	1,830	1,880
Housing Temporary Accommodation, Benefit (before additional grant)	Sec 3,pg17	650	830	540	260
Variations that are one off	Sec3, pg19	734	-229	-305	0
Net Income ( <b>non-price - growth/+loss</b> )	Sec 4 pg20	-1,130	-120	0	0
Growth	Sec 5, pg22	400	370	370	370
Capital Financing	Sec6, pg29	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, pg37	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, pg15	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, pg21	-150	-50	0	0
Income - New and increased Fees and Charges	Sec 4,pg20	-1,009	-921	-949	-978
Council tax increase and growth	Sec 9, pg47	-598	-618	-638	-659
Council Tax deficit variations	Sec 9, pg47	-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. £000s	£000s	£000s	Transfers £000s	-Use/ contribution £000s	£000s	£000s	Transfers £000	-Use/ contribution £000s	£000s	£000s	Transfers £000	-Use/ contribution £000s	£000s	£000s	Transfers & Movement s £000	£000s	£000s	
<b>Earmarked</b>																						
<b>Corporate Investment</b>																						
Cultural Support 'Fund'	57				57	57			57	57			57	57			57	57			57	57
Local Development Framework	1,040		-225	-50	765	765	15	-250	530	530		-150	380	380		-80	300	300		-100	200	200
Growth fund	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	300	-300	0	0
Housing Initiatives	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
Hylands House Reserve	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
	<u>1,179</u>	<u>300</u>	<u>-533</u>	<u>223</u>	<u>1,169</u>	<u>1,169</u>	<u>42</u>	<u>-550</u>	<u>661</u>	<u>661</u>	<u>300</u>	<u>-450</u>	<u>511</u>	<u>511</u>	<u>300</u>	<u>-380</u>	<u>431</u>	<u>431</u>	<u>300</u>	<u>-400</u>	<u>331</u>	<u>331</u>
<b>Capital Programme</b>																						
Project Evaluation Reserve	175	37		-35	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		50	300	300
Infrastructure fund	715			-715	0	0	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		230	399	399
	<u>2,964</u>	<u>37</u>	<u>-207</u>	<u>-1,394</u>	<u>1,400</u>	<u>1,400</u>	<u>500</u>	<u>-756</u>	<u>1,144</u>	<u>1,144</u>	<u>0</u>	<u>-1</u>	<u>1,143</u>	<u>1,143</u>	<u>0</u>	<u>-47</u>	<u>1,096</u>	<u>1,096</u>	<u>0</u>	<u>280</u>	<u>1,376</u>	<u>1,376</u>
<b>Risk Management</b>																						
Insurance	898		-50		848	848		-50	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
Pension deficiency	1,057	183			1,240	1,240			1,240	1,240		-534	706	706			706	706			706	706
Park and Ride	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
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
Business Retention reserve	6,491		-5	940	7,426	7,426		-1,867	5,559	5,559			5,559	5,559			5,559	5,559			5,559	5,559
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		0	334	334
	<u>10,881</u>	<u>2,266</u>	<u>-1,993</u>	<u>2,841</u>	<u>13,995</u>	<u>13,995</u>	<u>1,440</u>	<u>-3,035</u>	<u>12,400</u>	<u>12,400</u>	<u>0</u>	<u>-1,784</u>	<u>10,616</u>	<u>10,616</u>	<u>0</u>	<u>-120</u>	<u>10,496</u>	<u>10,496</u>	<u>0</u>	<u>0</u>	<u>10,496</u>	<u>10,496</u>
<b>Total Earmarked Reserves</b>	<u>15,024</u>	<u>2,603</u>	<u>-2,733</u>	<u>1,670</u>	<u>16,564</u>	<u>16,564</u>	<u>1,982</u>	<u>-4,341</u>	<u>14,205</u>	<u>14,205</u>	<u>300</u>	<u>-2,235</u>	<u>12,270</u>	<u>12,270</u>	<u>300</u>	<u>-547</u>	<u>12,023</u>	<u>12,023</u>	<u>300</u>	<u>-120</u>	<u>12,203</u>	<u>12,203</u>
<b>Unearmarked</b>																						
<b>General Fund &amp; Contingency</b>	<u>14,607</u>	<u>-2,603</u>	<u>-1,515</u>	<u>1,407</u>	<u>11,896</u>	<u>11,896</u>	<u>-1,982</u>	<u>-383</u>	<u>9,531</u>	<u>9,531</u>	<u>-300</u>	<u>0</u>	<u>9,231</u>	<u>9,231</u>	<u>-300</u>	<u>-305</u>	<u>8,626</u>	<u>8,626</u>	<u>-300</u>	<u>0</u>	<u>8,326</u>	<u>8,326</u>
<b>Recommended level £9m</b>	<u>14,607</u>	<u>-2,603</u>	<u>-1,515</u>	<u>1,407</u>	<u>11,896</u>	<u>11,896</u>	<u>-1,982</u>	<u>-383</u>	<u>9,531</u>	<u>9,531</u>	<u>-300</u>	<u>0</u>	<u>9,231</u>	<u>9,231</u>	<u>-300</u>	<u>-305</u>	<u>8,626</u>	<u>8,626</u>	<u>-300</u>	<u>0</u>	<u>8,326</u>	<u>8,326</u>
<b>Total reserves</b>	<u>29,631</u>	<u>0</u>	<u>-4,248</u>	<u>3,077</u>	<u>28,460</u>	<u>28,460</u>	<u>0</u>	<u>-4,724</u>	<u>23,736</u>	<u>23,736</u>	<u>0</u>	<u>-2,235</u>	<u>21,501</u>	<u>21,501</u>	<u>0</u>	<u>-852</u>	<u>20,649</u>	<u>20,649</u>	<u>0</u>	<u>-120</u>	<u>20,529</u>	<u>20,529</u>

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 22at the end of this section.

	<b>2024/25</b>	<b>2025/26</b>	<b>Increase</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Chelmsford City Council	221.52	228.07	6.55	2.96%
Essex County Council	1,522.53	1,579.59	57.06	3.75%
Police, Fire and Crime Commissioner for Essex	246.42	260.37	13.95	5.66%
Essex PFCC , Fire & Rescue Authority	82.62	87.57	4.95	5.99%
	<hr/>	<hr/>	<hr/>	<hr/>
Parish and Town Councils (average)	2,073.09	2,155.60	82.51	3.98%
	49.05	51.38	2.33	4.75%
<b>TOTAL</b>	<hr/> <b>2,122.14</b> <hr/>	<hr/> <b>2,206.98</b> <hr/>	<hr/> <b>84.84</b> <hr/>	<hr/> <b>4.00%</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 to set the budget for 2025/26, the Council is required to declare by the 31st of January 2025 a Business Rate Retention Surplus or Deficit, after submitting a return (NNDR1) to Government, the deficit is £3.154m (mostly a timing difference between income and payments to Government and is not a true deficit). The scheme remains too complex and the figure of importance to the budget is £2.25m which is the amount of Business Rate Retention income which will be used to fund ongoing service expenditure in 2025/26, this remains achievable. The table 21b, below shows the updated Business Rate Retention position following the completion the statutory NNDR1 return at the end of January. The income is now forecast to be higher than expected for 2025/26 by £0.24m and will remain in the Business Rate Reserve. The reserve balances are assessed as part of the accounts closure and adjustments made as part of the annual financial planning process.

Table 21b Business Rate Surplus of Deficit

<b>Estimated Business Rate Position as 31st January 2025</b>	<b>2025/26</b>
	<b>£000s</b>
<b>Business Rate Income (CCC Share)</b>	-7,115
<b>Baseline Funding in settlement</b>	3,753
<b>31/1/25 Declared CF deficit Timing Difference NNDR1</b>	3,154
<b>Transfer from BBR reserve for timing differences</b>	-2,109
<b>BRR Pool estimated income</b>	-900
<b>Total Estimated Income</b>	<b>-3,217</b>
<b>Less</b>	
<b>Income in Budget</b>	2,250
<b>S31 Inflation Grant in Budget</b>	725
<b>Potential further BR income</b>	<b>-242</b>

**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	190.71	5.85	196.56	71.01	267.57	117,445	-40	117,405	195.21	6.39	201.60	82.53	284.13
Broomfield	222,000	23	222,023	190.71	29.16	219.87	104.13	324.00	228,478	0	228,478	195.21	31.14	226.35	106.20	332.55
Chelmer	219,161	-47	219,114	190.71	41.58	232.29	64.08	296.37	219,161	133	219,294	195.21	44.10	239.31	64.08	303.39
Chelmsford Garden	217,723	-92	217,631	190.71	24.75	215.46	60.66	276.12	244,444	118	244,562	195.21	26.19	221.40	62.01	283.41
Chignal	7,000	0	7,000	190.71	37.80	228.51	21.51	250.02	7,000	6	7,006	195.21	40.86	236.07	21.87	257.94
Danbury	381,834	-109	381,725	190.71	2.61	193.32	155.79	349.11	412,344	-7	412,337	195.21	2.70	197.91	167.13	365.04
East Hanningfield	40,345	12	40,357	190.71	27.00	217.71	73.80	291.51	43,308	-4	43,304	195.21	29.07	224.28	75.87	300.15
Galleywood	124,332	50	124,382	190.71	34.83	225.54	59.31	284.85	130,303	-77	130,226	195.21	37.17	232.38	61.47	293.85
Good Easter	10,710	5	10,715	190.71	22.23	212.94	58.41	271.35	11,349	0	11,349	195.21	23.76	218.97	62.28	281.25
Great & Little Leighs	42,000	7	42,007	190.71	40.14	230.85	36.09	266.94	42,000	-45	41,955	195.21	42.66	237.87	36.00	273.87
Great Baddow	479,669	5	479,674	190.71	9.81	200.52	87.66	288.18	525,237	214	525,451	195.21	10.53	205.74	96.21	301.95
Great Waltham	104,027	-22	104,005	190.71	27.36	218.07	109.44	327.51	101,614	21	101,635	195.21	29.61	224.82	107.37	332.19
Highwood	40,030	-3	40,027	190.71	24.66	215.37	120.96	336.33	40,030	4	40,034	195.21	26.55	221.76	119.52	341.28
Little Baddow	52,296	-38	52,258	190.71	24.21	214.92	59.76	274.68	54,911	-36	54,875	195.21	26.19	221.40	62.73	284.13
Little Waltham	55,352	8	55,360	190.71	32.94	223.65	99.72	323.37	56,486	22	56,508	195.21	35.64	230.85	102.42	333.27
Margaretting	12,420	3	12,423	190.71	24.66	215.37	30.69	246.06	14,420	-17	14,403	195.21	26.55	221.76	35.10	256.86
Mashbury	0	0	0	190.71	22.23	212.94	0.00	212.94	0	0	0	195.21	23.76	218.97	0.00	218.97
Pleshey	13,250	-3	13,247	190.71	22.23	212.94	94.05	306.99	13,250	0	13,250	195.21	23.76	218.97	93.78	312.75
Rettendon	48,427	-17	48,410	190.71	30.60	221.31	57.96	279.27	49,660	-16	49,644	195.21	32.76	227.97	59.40	287.37
Roxwell	22,500	-6	22,494	190.71	1.71	192.42	46.98	239.40	22,500	17	22,517	195.21	1.98	197.19	47.07	244.26
Runwell	142,022	10	142,032	190.71	22.77	213.48	70.56	284.04	148,600	20	148,620	195.21	24.39	219.60	70.56	290.16
Sandon	40,360	-18	40,342	190.71	27.36	218.07	52.29	270.36	41,974	3	41,977	195.21	29.25	224.46	54.18	278.64
South Hanningfield	99,640	4	99,644	190.71	23.94	214.65	81.00	295.65	104,125	11	104,136	195.21	25.74	220.95	82.80	303.75
South Woodham Ferrers	449,200	-66	449,134	190.71	29.34	220.05	73.44	293.49	465,465	-266	465,199	195.21	31.23	226.44	76.23	302.67
Springfield	227,240	20	227,260	190.71	42.66	233.37	78.30	311.67	238,602	-21	238,581	195.21	45.27	240.48	82.17	322.65
Stock	51,639	22	51,661	190.71	23.85	214.56	41.94	256.50	52,930	21	52,951	195.21	25.65	220.86	42.48	263.34
West Hanningfield	31,212	-14	31,198	190.71	24.03	214.74	56.43	271.17	32,382	13	32,395	195.21	25.83	221.04	57.06	278.10
Woodham Ferrers & Bicknacre	100,377	55	100,432	190.71	24.12	214.83	76.05	290.88	102,546	47	102,593	195.21	26.01	221.22	78.12	299.34
Writtle	172,378	-17	172,361	190.71	4.05	194.76	85.32	280.08	182,721	-88	182,633	195.21	4.77	199.98	89.91	289.89
City Centre (Non-Parished Area)				190.71	42.21	232.92	0.00	232.92				195.21	45.09	240.30	0.00	240.30
<b>TOTALS</b>	<u>3,509,270</u>	<u>-281</u>	<u>3,508,989</u>						<u>3,703,285</u>	<u>35</u>	<u>3,703,320</u>					
<b>AVERAGE</b>						<u>221.52</u>	<u>49.05</u>	<u>270.57</u>						<u>228.07</u>	<u>51.38</u>	<u>279.45</u>

## 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
<b>29,144</b>	<b>Service Expenditure</b>	<b>115,503</b>	<b>-89,145</b>	<b>26,359</b>
	<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
<b>27,961</b>	<b>Net Expenditure</b>			<b>26,580</b>
-2,728	Contributions to / -use of Other Earmarked reserves			-2,474
-1,515	Contribution to / -from Balances			-383
<b>23,718</b>	<b>Budget Requirement</b>			<b>23,724</b>
-8,026	Government Support			-7,664
156	Council Tax -Surplus/+Deficit			379
<b>15,847</b>	<b>Income from Council Tax</b>			<b>16,439</b>

## 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
	55			
<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		
	<u>Voluntary and Community Sector Support</u>							
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.
	<u>Cultural Services (deputy)</u>							
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>							
	<u>Housing Services</u>							
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
	<b>SCHEME DESCRIPTION</b>							
1	44 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.
14	50 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.
70	53 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	Grand Total	72,932	41,982	114,914	12,962	127,876		

<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		
	Latest 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>Programme</b>				
<b>Scheme Description</b>	<b>Variation £000's</b>	<b>Variation Type</b>	<b>Percentage Change</b>	<b>Reason</b>
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.

**COUNCIL TAX RESOLUTION** Please note Essex County Council's figures are provisional at the time of publication

**INTRODUCTION**

To set the 2025/26 Council Tax for Chelmsford City Council, the Council is asked to approve the information as set out in this Resolution.

**Council Tax**

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

Chelmsford City Council's council tax requirement is £16,438,620, after allowing for a deficit balance on the Collection Fund of £378,683. This results in an average Band D Council Tax of £228.07.

The Parish Tier Council precepts are detailed in the recommendation below and total £3,703,320. This results in an average Band D Council Tax figure of £51.38.

Essex County Council has set a precept at £113,854,469, after allowing for a deficit balance on the collection fund of £2,130,894. This results in a Band D Council Tax of £1,579.59.

Police, Fire and Crime Commissioner for Essex has set a precept at £18,767,078, after allowing for a deficit balance on the collection fund of £344,883. This results in a Band D Council Tax of £260.37.

Essex Police, Fire and Crime Commissioner Fire and Rescue Authority has set a precept at £6,311,914, after allowing for a deficit balance on the collection fund of £115,633. This results in a Band D Council Tax of £87.57.

The formal Council Tax Resolution is given below. If the Resolution is approved the Council Tax for 2025/26 will be as follows.

	<b>2024/25</b>	<b>2025/26</b>	<b>Increase</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Chelmsford City Council (average)	221.52	228.07	6.55	2.96%
Essex County Council	1,522.53	1,579.59	57.06	3.75%
Police, Fire and Crime Commissioner for Essex	246.42	260.37	13.95	5.66%
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	82.62	87.57	4.95	5.99%
	<u>2,073.09</u>	<u>2,155.60</u>	<u>82.51</u>	
Parish Tier Councils (average)	49.05	51.38	2.33	4.75%
<b>TOTAL</b>	<u>2,122.14</u>	<u>2,206.98</u>	<u>84.84</u>	4.00%

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

The following be approved :-

1 (a)	Council Tax Requirement for 2025/26	£
	Chelmsford City Council	16,438,620
	Parish Tier Councils	<u>3,703,320</u>
	Total Council Tax requirement	<u><u>£20,141,940</u></u>
(b)	The individual Parish budgets were set out in Table 22 of the Council report	
2	It be noted that the Accountancy Services Manager, under delegated authority, calculated the following amounts as its Council Tax base for the year 2025/26 in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 made under Section 31B(3) of the Act.	
(a)	The amount calculated by the Council, in accordance with regulation 3 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the year.	<u>72,078.49</u>
(b)	Part of the Council's area (Parish Tier Council, or the City Centre)	2025/26 Tax Base (Band D equivalent)
	BOREHAM	1,422.58
	BROOMFIELD	2,151.39
	CHELMER	3,422.20
	CHELMSFORD GARDEN	3,943.91
	CHIGNAL	320.36
	DANBURY	2,467.16
	EAST HANNINGFIELD	570.77
	GALLEYWOOD	2,118.53
	GOOD EASTER	182.22
	GREAT & LITTLE LEIGHS	1,165.42
	GREAT BADDOW	5,461.50
	GREAT WALTHAM	946.59
	HIGHWOOD	334.96
	LITTLE BADDOW	874.79
	LITTLE WALTHAM	551.73
	MARGARETTING	410.34
	MASHBURY	45.24
	PLESHEY	141.28
	RETTENDON	835.76
	ROXWELL	478.38
	RUNWELL	2,106.29
	SANDON	774.77
	SOUTH HANNINGFIELD	1,257.68
	SOUTH WOODHAM FERRERS	6,102.57
	SPRINGFIELD	2,903.50
	STOCK	1,246.48
	WEST HANNINGFIELD	567.74
	WOODHAM FERRERS & BICKNACRE	1,313.27
	WRITTLE	2,031.29
		46,148.72
	special expense area of CITY CENTRE (non Parished area)	<u>25,929.77</u>
		<u><u>72,078.49</u></u>

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

3	The following amounts be now calculated by the Council for the year 2025/26 in accordance with Sections 30 to 36 of the Act:-	
		£
(a)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (2)(a) to (f) of the Act	156,694,193
(b)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act	-136,552,253
(c)	The amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year (including parish precepts)	
(d)	The amount at 3(c) above divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year (including parish precepts)	279.45
(e)	The aggregate amount of all special items referred to in Sections 34(1) and 35 of the Act	6,071,498
(f)	The amount at 3(d) above less the amount given by dividing the amount at 3(e) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates (excluding parish precepts)	195.21



## (g) Part of the Council's area (Parish Tier Council, or the City Centre)

* per Band D	<--- Special Items --->			TOTAL per Band D £
	Basic Council Tax per Band D £	Special Expenses per Band D £	Parish Precepts per Band D £	
	BOREHAM	195.21	6.39	
BROOMFIELD	195.21	31.14	106.20	332.55
CHELMER	195.21	44.10	64.08	303.39
CHELMSFORD GARDEN	195.21	26.19	62.01	283.41
CHIGNAL	195.21	40.86	21.87	257.94
DANBURY	195.21	2.70	167.13	365.04
EAST HANNINGFIELD	195.21	29.07	75.87	300.15
GALLEYWOOD	195.21	37.17	61.47	293.85
GOOD EASTER	195.21	23.76	62.28	281.25
GREAT & LITTLE LEIGHS	195.21	42.66	36.00	273.87
GREAT BADDOW	195.21	10.53	96.21	301.95
GREAT WALTHAM	195.21	29.61	107.37	332.19
HIGHWOOD	195.21	26.55	119.52	341.28
LITTLE BADDOW	195.21	26.19	62.73	284.13
LITTLE WALTHAM	195.21	35.64	102.42	333.27
MARGARETTING	195.21	26.55	35.10	256.86
MASHBURY	195.21	23.76	0.00	218.97
PLESHEY	195.21	23.76	93.78	312.75
RETTENDON	195.21	32.76	59.40	287.37
ROXWELL	195.21	1.98	47.07	244.26
RUNWELL	195.21	24.39	70.56	290.16
SANDON	195.21	29.25	54.18	278.64
SOUTH HANNINGFIELD	195.21	25.74	82.80	303.75
SOUTH WOODHAM FERRERS	195.21	31.23	76.23	302.67
SPRINGFIELD	195.21	45.27	82.17	322.65
STOCK	195.21	25.65	42.48	263.34
WEST HANNINGFIELD	195.21	25.83	57.06	278.10
WOODHAM FERRERS & BICKNACRE	195.21	26.01	78.12	299.34
WRITTLE	195.21	4.77	89.91	289.89
special expense area of CITY CENTRE (non Parished area)	195.21	45.09	0.00	240.30

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

(h) Valuation Bands

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

4 It be noted that for the year 2025/26 Essex County Council, the Police, Fire and Crime Commissioner for Essex and the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown below:-

<u>PRECEPTING AUTHORITY</u>	----- VALUATION BANDS ----->							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Essex County Council	1,053.06	1,228.57	1,404.08	1,579.59	1,930.61	2,281.63	2,632.65	3,159.18
Police, Fire and Crime Commissioner for Essex	173.58	202.51	231.44	260.37	318.23	376.09	433.95	520.74
Essex Police, Fire and Crime Commissioner Fire and Rescue Authority	58.38	68.11	77.84	87.57	107.03	126.49	145.95	175.14

5 Having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the amounts detailed in Annex B attached as the amounts of council tax for the year 2025/26 for each of the categories of dwellings shown.

**ANNEX A: Chelmsford City Council - Council taxes 2025/26 - Excluding Essex County Council, Police, Fire & Crime Commissioner for Essex & Essex Police, Fire and Crime Commissioner Fire and Rescue Authority**

Parish of:-	----- VALUATION BANDS -----							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
BOREHAM	189.42	220.99	252.56	284.13	347.27	410.41	473.55	568.26
BROOMFIELD	221.70	258.65	295.60	332.55	406.45	480.35	554.25	665.10
CHELMER	202.26	235.97	269.68	303.39	370.81	438.23	505.65	606.78
CHELMSFORD GARDEN	188.94	220.43	251.92	283.41	346.39	409.37	472.35	566.82
CHIGNAL	171.96	200.62	229.28	257.94	315.26	372.58	429.90	515.88
DANBURY	243.36	283.92	324.48	365.04	446.16	527.28	608.40	730.08
EAST HANNINGFIELD	200.10	233.45	266.80	300.15	366.85	433.55	500.25	600.30
GALLEYWOOD	195.90	228.55	261.20	293.85	359.15	424.45	489.75	587.70
GOOD EASTER	187.50	218.75	250.00	281.25	343.75	406.25	468.75	562.50
GREAT & LITTLE LEIGHS	182.58	213.01	243.44	273.87	334.73	395.59	456.45	547.74
GREAT BADDOW	201.30	234.85	268.40	301.95	369.05	436.15	503.25	603.90
GREAT WALTHAM	221.46	258.37	295.28	332.19	406.01	479.83	553.65	664.38
HIGHWOOD	227.52	265.44	303.36	341.28	417.12	492.96	568.80	682.56
LITTLE BADDOW	189.42	220.99	252.56	284.13	347.27	410.41	473.55	568.26
LITTLE WALTHAM	222.18	259.21	296.24	333.27	407.33	481.39	555.45	666.54
MARGARETTING	171.24	199.78	228.32	256.86	313.94	371.02	428.10	513.72
MASHBURY	145.98	170.31	194.64	218.97	267.63	316.29	364.95	437.94
PLESHEY	208.50	243.25	278.00	312.75	382.25	451.75	521.25	625.50
RETTENDON	191.58	223.51	255.44	287.37	351.23	415.09	478.95	574.74
ROXWELL	162.84	189.98	217.12	244.26	298.54	352.82	407.10	488.52
RUNWELL	193.44	225.68	257.92	290.16	354.64	419.12	483.60	580.32
SANDON	185.76	216.72	247.68	278.64	340.56	402.48	464.40	557.28
SOUTH HANNINGFIELD	202.50	236.25	270.00	303.75	371.25	438.75	506.25	607.50
SOUTH WOODHAM FERRERS	201.78	235.41	269.04	302.67	369.93	437.19	504.45	605.34
SPRINGFIELD	215.10	250.95	286.80	322.65	394.35	466.05	537.75	645.30
STOCK	175.56	204.82	234.08	263.34	321.86	380.38	438.90	526.68
WEST HANNINGFIELD	185.40	216.30	247.20	278.10	339.90	401.70	463.50	556.20
WOODHAM FERRERS & BICKNACRE	199.56	232.82	266.08	299.34	365.86	432.38	498.90	598.68
WRITTLE	193.26	225.47	257.68	289.89	354.31	418.73	483.15	579.78
special expense area of CITY CENTRE (non Parished area)	160.20	186.90	213.60	240.30	293.70	347.10	400.50	480.60

**ANNEX B: Chelmsford City Council - Council taxes 2025/26 - At taxpayer level**

Parish of:-	----- VALUATION BANDS -----							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
BOREHAM	1,474.44	1,720.18	1,965.92	2,211.66	2,703.14	3,194.62	3,686.10	4,423.32
BROOMFIELD	1,506.72	1,757.84	2,008.96	2,260.08	2,762.32	3,264.56	3,766.80	4,520.16
CHELMER	1,487.28	1,735.16	1,983.04	2,230.92	2,726.68	3,222.44	3,718.20	4,461.84
CHELMSFORD GARDEN	1,473.96	1,719.62	1,965.28	2,210.94	2,702.26	3,193.58	3,684.90	4,421.88
CHIGNAL	1,456.98	1,699.81	1,942.64	2,185.47	2,671.13	3,156.79	3,642.45	4,370.94
DANBURY	1,528.38	1,783.11	2,037.84	2,292.57	2,802.03	3,311.49	3,820.95	4,585.14
EAST HANNINGFIELD	1,485.12	1,732.64	1,980.16	2,227.68	2,722.72	3,217.76	3,712.80	4,455.36
GALLEYWOOD	1,480.92	1,727.74	1,974.56	2,221.38	2,715.02	3,208.66	3,702.30	4,442.76
GOOD EASTER	1,472.52	1,717.94	1,963.36	2,208.78	2,699.62	3,190.46	3,681.30	4,417.56
GREAT & LITTLE LEIGHS	1,467.60	1,712.20	1,956.80	2,201.40	2,690.60	3,179.80	3,669.00	4,402.80
GREAT BADDOW	1,486.32	1,734.04	1,981.76	2,229.48	2,724.92	3,220.36	3,715.80	4,458.96
GREAT WALTHAM	1,506.48	1,757.56	2,008.64	2,259.72	2,761.88	3,264.04	3,766.20	4,519.44
HIGHWOOD	1,512.54	1,764.63	2,016.72	2,268.81	2,772.99	3,277.17	3,781.35	4,537.62
LITTLE BADDOW	1,474.44	1,720.18	1,965.92	2,211.66	2,703.14	3,194.62	3,686.10	4,423.32
LITTLE WALTHAM	1,507.20	1,758.40	2,009.60	2,260.80	2,763.20	3,265.60	3,768.00	4,521.60
MARGARETTING	1,456.26	1,698.97	1,941.68	2,184.39	2,669.81	3,155.23	3,640.65	4,368.78
MASHBURY	1,431.00	1,669.50	1,908.00	2,146.50	2,623.50	3,100.50	3,577.50	4,293.00
PLESHEY	1,493.52	1,742.44	1,991.36	2,240.28	2,738.12	3,235.96	3,733.80	4,480.56
RETTENDON	1,476.60	1,722.70	1,968.80	2,214.90	2,707.10	3,199.30	3,691.50	4,429.80
ROXWELL	1,447.86	1,689.17	1,930.48	2,171.79	2,654.41	3,137.03	3,619.65	4,343.58
RUNWELL	1,478.46	1,724.87	1,971.28	2,217.69	2,710.51	3,203.33	3,696.15	4,435.38
SANDON	1,470.78	1,715.91	1,961.04	2,206.17	2,696.43	3,186.69	3,676.95	4,412.34
SOUTH HANNINGFIELD	1,487.52	1,735.44	1,983.36	2,231.28	2,727.12	3,222.96	3,718.80	4,462.56
SOUTH WOODHAM FERRERS	1,486.80	1,734.60	1,982.40	2,230.20	2,725.80	3,221.40	3,717.00	4,460.40
SPRINGFIELD	1,500.12	1,750.14	2,000.16	2,250.18	2,750.22	3,250.26	3,750.30	4,500.36
STOCK	1,460.58	1,704.01	1,947.44	2,190.87	2,677.73	3,164.59	3,651.45	4,381.74
WEST HANNINGFIELD	1,470.42	1,715.49	1,960.56	2,205.63	2,695.77	3,185.91	3,676.05	4,411.26
WOODHAM FERRERS & BICKNACRE	1,484.58	1,732.01	1,979.44	2,226.87	2,721.73	3,216.59	3,711.45	4,453.74
WRITTLE	1,478.28	1,724.66	1,971.04	2,217.42	2,710.18	3,202.94	3,695.70	4,434.84
special expense area of CITY CENTRE (non Parished area)	1,445.22	1,686.09	1,926.96	2,167.83	2,649.57	3,131.31	3,613.05	4,335.66

6

The increase in Chelmsford City Council's relevant basic amount of Council Tax for 2025/26 is £6.55 (2.96%), which is below the guideline increase issued in accordance with the provisions of section 52ZB Local Government Finance Act 1992. The increase is therefore not excessive.

Parish Tier Council	Council Tax required		<--- Band D --->		
	2024/25	2025/26	2024/25	2025/26	Increase
	£	£	£	£	%
Boreham	102,071	117,405	71.01	82.53	16.22%
Broomfield	222,023	228,478	104.13	106.20	1.99%
Chelmer	219,114	219,294	64.08	64.08	0.00%
Chelmsford Garden	217,631	244,562	60.66	62.01	2.23%
Chignal	7,000	7,006	21.51	21.87	1.67%
Danbury	381,725	412,337	155.79	167.13	7.28%
East Hanningfield	40,357	43,304	73.80	75.87	2.80%
Galleywood	124,382	130,226	59.31	61.47	3.64%
Good Easter	10,715	11,349	58.41	62.28	6.63%
Great & Little Leighs	42,007	41,955	36.09	36.00	-0.25%
Great Baddow	479,674	525,451	87.66	96.21	9.75%
Great Waltham	104,005	101,635	109.44	107.37	-1.89%
Highwood	40,027	40,034	120.96	119.52	-1.19%
Little Baddow	52,258	54,875	59.76	62.73	4.97%
Little Waltham	55,360	56,508	99.72	102.42	2.71%
Margaretting	12,423	14,403	30.69	35.10	14.37%
Mashbury	0	0	0.00	0.00	0.00%
Pleshey	13,247	13,250	94.05	93.78	-0.29%
Rettendon	48,410	49,644	57.96	59.40	2.48%
Roxwell	22,494	22,517	46.98	47.07	0.19%
Runwell	142,032	148,620	70.56	70.56	0.00%
Sandon	40,342	41,977	52.29	54.18	3.61%
South Hanningfield	99,644	104,136	81.00	82.80	2.22%
South Woodham Ferrers	449,134	465,199	73.44	76.23	3.80%
Springfield	227,260	238,581	78.30	82.17	4.94%
Stock	51,661	52,951	41.94	42.48	1.29%
West Hanningfield	31,198	32,395	56.43	57.06	1.12%
Woodham Ferrers & Bicknacre	100,432	102,593	76.05	78.12	2.72%
Writtle	172,361	182,633	85.32	89.91	5.38%
	<u>3,508,989</u>	<u>3,703,320</u>	2,027.34	2,096.55	



Chelmsford City Council

19 February 2025

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## Pay Policy Statement

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Report by:

Cabinet Member for Safer Chelmsford

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Officer Contact:

Dan Sharma-Bird, Democracy Team Manager, [dan.sharma-bird@chelmsford.gov.uk](mailto:dan.sharma-bird@chelmsford.gov.uk), 01245 606523

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### Purpose

To approve the Council's Pay Policy Statement for 2025-26.

### Recommendations

The Council approve the Pay Policy Statement attached as the appendix to this report.

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## 1. Background

The Localism Act 2011 requires that each local authority produce and submit to full Council for approval an annual pay policy statement which should include:

- The Council's policy on the level and elements of remuneration for Council employees including chief officers
- The Council's policy on the remuneration of its lowest paid employee
- The Council's policy on the relationship between the remuneration of its chief officers and other officers
- The Council's policy on other specific aspects of officers' remuneration such as remuneration on recruitment, increases and additions to remuneration, use of

performance related pay and bonuses (where applicable) and termination payment and transparency

- Publication of, and access to, information relating to remuneration of chief officers

## 2. Proposed Policy Statement

The proposed Policy Statement for 2025-26 is attached and the Council is recommended to approve it.

### List of appendices:

Appendix 1 – Pay Policy Statement for 2025-26

### Background papers:

None

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## Corporate Implications

Legal/Constitutional: An annual pay policy statement needs to be approved by full Council under the Localism Act 2011

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees: None

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Relevant Policies and Strategies:

None relevant

## Appendix 1

### CHELMSFORD CITY COUNCIL PAY POLICY STATEMENT 2025 - 2026

#### Introduction

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

The Council's Constitution is available through our website:

<https://www.chelmsford.gov.uk/your-council/councillors-and-decision-making/constitution/>

5. The Council on implementing its Equal Pay and Single Status agreement ensured it had put in place equitable and transparent reward system for its employees. The Council's pay policy statement is therefore underpinned by the principle of equal pay and recognises equal pay between both female and male officers as a legal right under employment law and ensures fair and non-discriminatory remuneration package across the authority. The Council has a legal duty to report on the gender pay gap. This report is available at the following link <https://gender-pay-gap.service.gov.uk/>
6. This policy statement explains the principles of remuneration and the benefits available to all staff. However, employees' full rights are contained in the standard terms and conditions of employment and their employment contracts (collectively known as "the Council's conditions of service"), but these do not form part of the Council's Pay Policy Statement.
7. Where references are made to links on the Council's Intranet site, copies of those documents can be obtained by contacting the Council's HR team.

### **Strategic Aims**

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

### **Scope**

9. The Council's pay policy statement, and its principles are applied consistently to all employees. For part-time employees, salary entitlement and the Council's conditions of service are applied pro-rata to comparable full-time employees.



10. Temporary employees' salary entitlement and the Council's conditions of service will be applied on the basis of an equivalent to that of permanent employees.

### **Determination of Job Grades**

11. Chelmsford City Council has adopted the "Hay Job Evaluation Scheme" which systematically establishes the relative values of different jobs. The Scheme has been used to determine the grades of all existing posts and for new posts as they arise. It is the only mechanism within the Council for determining the grading of posts. Responsibility for administering and coordinating the Job Evaluation Scheme rests with Human Resources.
12. A job can only be considered for re-evaluation where there has been a significant change to the responsibilities and accountabilities of the post. The Manager will need to advise where the changes have come from as another post may be affected resulting in a decrease in the applicable grade of that post. If this results in an increase in grade, this will become effective from the 1st of the month that the authorised job evaluation form was submitted. If this results in a decrease, a pay protection period of 6 months will apply.
13. Any newly created post that is evaluated and result in a total remuneration package valued at £100,000 or more will be subject to full Council approval.
14. If a member of staff disagrees with the assessment of the job evaluation of their post, they will be advised of their right to appeal. A copy of the appeals proforma and the process for appealing is available from the HR team.

### **Remuneration**

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

#### Normal Pay

16. Normal pay includes all earnings that would be paid during a period of contractual working, but excluding any payments not made on a regular basis.
17. The basic pay of each employee will be based on the grade of the job they are contracted to perform. Grade 2 has a spot rate and Grades 3 and 4 each have two

spinal column points. All the other grades consist of four spinal points. The minimum point of a pay grade is not lower than the maximum point of the preceding pay grade. The Council's locally determined pay scales ranges from grade 2 – 20. Jobs with the same evaluation score will be on the same grade.

18. The Council employs apprentices on apprentice pay rates. The lowest graded roles within the Council are grade 2 with a current salary<sup>1</sup> of £22,974. Roles at this grade include cleaners, ice rink assistant, museum assistant, revenues assistant and pitch co-ordinator. The pay for the lowest grade employees is above national minimum pay rates.

### National Pay Support

19. The Council will review the guidance related to any government pay support related to national emergency health or other situations and will access support available in accordance with the rules of the scheme.

### Recruitment

20. New entrants will normally be placed at the bottom of the scale unless in exceptional circumstances, it can be demonstrated that they have had experience in the same role with the same level of responsibility in another organisation with the capability to work and function at a high level from the outset. Other considerations to merit an appointment at a higher scale point are when a case is made to establish demonstrable previous skills and experience against proven organisational need. These will need to be agreed by HR in consultation with the Director of Service or the Chief Executive in the case of a Director's appointment. In the case of a Chief Executive appointment, this is covered under part 4 section 8 of the Council's Constitution.

### Progression through the Pay Spine

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

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<sup>1</sup> Salary as at April 2024

### Pay Negotiation

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

### Market Supplements

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

### Honorarium payments

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

### Special Responsibility Allowance

28. An additional payment is made to the Council's Section 151 and Monitoring Officers.

### **Other Pay**

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

## Pensions

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

## Other Benefits

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

## Reimbursement of Expenditure

37. All employees are required to make the best use of council resources and are obliged to consider the most cost-effective option when incurring any expenditure in the course of their duties.
38. Subsistence allowances are payable when employees incur additional expenditure on meals because they have been unable to follow their normal meal arrangements whilst out on business.
39. Examples of where an employee may need to incur expenditure on meals are as follows:
  - Attendance at training courses or seminars where meals or refreshments are not provided
  - Site visits

- Meetings to other organisations
- Travelling to locations as part of official duties.

### **Termination of Employment**

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

### **Other Changes**

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

### **Publicising Senior Salary**

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

### **Conclusion**

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



## Chelmsford City Council

19 February 2025

### Annual Report of the Overview and Scrutiny Committee

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Report by: Overview and Scrutiny Committee from its meeting on 10 February 2025

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#### Purpose

To consider the Annual Report on the activity of the Scrutiny function for 2023/24.

#### Recommendation:

That the Annual Report of the Overview and Scrutiny Committee and the activity of the Scrutiny function in 2023/24 be approved for publication.

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1. The Local Code of Corporate Governance was adopted by the Council on 23 April 2008 (M6.1, CL52, 2008). Under the Code's Core Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability - the Overview and Scrutiny Committee is required to produce an annual report on its work for consideration by the Council and subsequent publication.
2. At its meeting on 10 February 2025, the Overview and Scrutiny Committee considered its Annual Report on the Scrutiny Function for 2023/24 and recommended to Council that the Report be approved for subsequent publication.
3. The Report is attached at Appendix 1 to this report and covers the following matters:

- statutory provisions
  - terms of reference
  - membership
  - publication of information
  - work undertaken in 2023/24
  - future work for 2024/25
  - “call in” of Cabinet decisions
  - training and development
- 

### Appendices

1. Annual Report on the Scrutiny function 2023/24

### Background Papers

None



**CHELMSFORD CITY COUNCIL  
ANNUAL REPORT ON THE SCRUTINY  
FUNCTION  
2023/24**

**Councillor J. Jeapes**

**(Chair – Overview and Scrutiny Committee)**



[www.chelmsford.gov.uk](http://www.chelmsford.gov.uk)

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## Background

### (a) ***Statutory Provisions***

Under the Local Government Act 2000 each local authority is required to establish at least one committee to review or scrutinise decisions taken by the Executive or any other part of the council and make reports to the council or to the cabinet. It can also report on any matters that affect the authority's area or its inhabitants. Its role includes both developing and reviewing policy and holding the Executive to account. The Committee has power to require Cabinet members and officers to attend before it to answer questions and it may also invite other people to attend its meetings.

Chelmsford Council chose, in 2005, to set up a single Scrutiny Committee. The Committee's first meeting was on 23<sup>rd</sup> May, 2005. It was later renamed the Overview and Scrutiny Committee by Council on 10<sup>th</sup> May, 2006.

New legislation came into effect in 2009 which placed additional duties on the Council and in respect of which it was required to make arrangements for their discharge. The legislation concerned was:

- The Police and Justice Act 2006 (Sections 19 -21), which placed a duty on all local authorities to scrutinise the activities of organisations comprising the local crime and disorder reduction partnership, and
- Section 119 of the Local Government and Public Involvement in Health Act 2007, which allowed councillors to ask for discussions to take place at an overview and scrutiny committee on issues of neighbourhood concern.

In December 2009 the Council agreed that the Overview and Scrutiny Committee take responsibility for those functions and that its terms of reference were amended accordingly.

The Local Democracy, Economic Development and Construction Act 2009 (Commencement No. 3) Order 2010 brought into force on 15th June 2010 the requirement for local authorities to have a scheme for responding to petitions from people who live, work or study in the area. Petition organisers who are dissatisfied with the Council's response can ask for a review by the Overview and Scrutiny Committee. A report on this matter was agreed by Cabinet on 8 June and Council on 9 June 2010 and the Committee's terms of reference were again amended to reflect this additional function.

### (b) ***Terms of Reference***

The Terms of Reference of the Committee are contained in Part 3 of the Council's Constitution. They are as follows –

### General role

To act as a channel for public involvement in the activities of the Council and other bodies operating in the City; to oversee the proper and efficient administration of the Council; to review the effectiveness of its work and services; and to support and complement the activities of the Cabinet, whilst at the same time scrutinising them and offering constructive comment or advice where appropriate.

### Specific role

- monitor the performance of the Council's services, carry out detailed reviews of them where considered necessary and report any resulting recommendations to the Cabinet;
- review the decisions, decision-making processes and activities of the Cabinet, other Council bodies and in respect of the Committee's own work to ensure that they comply with the requirements of the Constitution and the policies of the Council;
- monitor the activities and performance of external bodies, liaising with them where necessary, and carry out detailed assessments of the effectiveness of services provided by them if any apparent shortcomings are identified;
- scrutinise the work of the community safety partnership (Safer Chelmsford) and the partners who comprise it, insofar as their activities relate to the partnership itself and exercise all the other functions of a crime and disorder committee pursuant to Section 19 of the Police and Justice Act 2006;
- consider Councillor Call for Action requests following agreement by the Chair and Vice-Chair of the Committee after consultation with the Director of Corporate Services
- consider and respond to petitions, requesting that officers appear before the Committee to answer questions on functions, services or decisions for which they are responsible
- review the Council's handling of or responses to petitions where the petition organiser is dissatisfied with the action taken.

### ***The Committee will also be responsible for***

- providing opportunities for officers to acquaint members with the operation of the Council.

### **(c) *Membership of the Committee***

The Committee had 13 members, all Members of Chelmsford City Council. They are appointed by the full Council at its Annual Meeting in May of each year on a proportionality basis. No member of the Cabinet may be a member of the Committee.

In 2023/24 the membership of the Committee comprised the following members:

LD Councillors H. Clark, P. Davey, A. Davidson, J. Deakin, K. Franks, A. Thompson (Vice Chair), and S. Young

CON Councillors V. Canning, S. Dobson, J. Jeapes (Chair), M. Steel, M. Taylor (May 2023 to December 2023), and P. Wilson (from December 2023 onwards)

IND Councillor S. Davis

Following the Annual Council Meeting on 15<sup>th</sup> May 2024, the membership is as follows  
–

The Committee is currently chaired by Councillor J. Jeapes who is a member of the Opposition group on the Council (the Conservatives).

LD Councillors D. Clark, H. Clark, P. Davey, J. Deakin, K. Franks, L. Mascot, and A. Thompson (Vice Chair)

CON Councillors V. Canning, S. Dobson, J. Jeapes (Chair), M. Steel, and P. Wilson

IND Councillor S. Davis

### **(d) Programme of Meetings**

The Committee met on four occasions in the municipal year 2023/24. It has five meetings programmed for 2024/25. Additional meetings may be arranged as required, including any which may be necessary if any decisions of the Cabinet become subject to the 'Call In' procedure mentioned in Part 3 of this Report.

### **(e) Publication of Information**

The agendas for the Committee’s meetings are published on the Council’s website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place.

## Work Programme 2023-24

The main areas of activity considered by the Committee during the municipal year (May to May) 2023/24 were as follows –

<u>Subject</u>	<u>Date(s) considered</u>
Annual Report from the Chelmsford Policy Board	18 July 2023
Report from Cultural Strategy Task & Finish Group	18 July 2023
Report of Decisions Taken Under Delegation to the Chief Executive	18 July 2023
Annual Report on the Overview & Scrutiny Function 2022/23	18 July 2023
Decision Called In – PSPO on Hylands Park	19 October 2023
Cabinet Portfolio Update – Leader of the Council	19 October 2023
Cabinet Portfolio Update – Deputy Leader and Cabinet Member for a Connected Chelmsford	19 October 2023
Report on Cultural Strategy Task & Finish Group	20 November 2023
Cabinet Portfolio Update – Cabinet Member for a Growing Chelmsford	20 November 2023
Cabinet Member for a Growing Chelmsford’s Annual Report on Housing Delivery	20 November 2023
Report on Decisions Taken Under Delegation to the Chief Executive	20 November 2023
Cabinet Portfolio Update – Cabinet Member for a Greener and Safer Chelmsford	12 February 2024
Annual Presentation by Safer Chelmsford Partnership and Essex Police	12 February 2024
Presentation on Essex Violence and Vulnerability Partnership	12 February 2024

Presentation from Essex Countywide Traveller Unit (ECTU)	12 February 2024
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The work programme functions on a rolling basis with standard items being the following;

- Cabinet Member Portfolios (including the Annual Report on Housing Delivery) – items were presented every Overview and Scrutiny Committee meetings and this is to meet the requirements on the Local Government Act 2000 to scrutinise functions of the executive.
- Annual Report of Overview and Scrutiny Committee – this item would need to be considered at July Full Council along with the Annual Reports for Governance and Audit & Risk Committees.
- Report on Decisions Taken under Delegation to the Chief Executive – it is a requirement for the Overview and Committee Scrutiny to consider and note any urgent decisions that were taken under the delegation to the CEO. This is reported bi-annually.

The Overview and Scrutiny Committee also took on the role of scrutinising Safer Chelmsford to meet the requirements of the Police and Justice Act 2006, which stated that there must be a formal place where community safety matters can be discussed. The presentations on the Safer Chelmsford Partnership and by the Essex Police are both made to the Committee annually at its February meeting, so that cross-cutting issues can be identified and discussed.

There were also two standalone items that were added by Members of the Overview & Scrutiny Committee to the work programme for this municipal year. These items were;

- Presentation on Essex Violence and Vulnerability Partnership
- Presentation from Essex Countywide Traveller Unit.

The minutes of the Committee meetings for this municipal year can be accessed below:

- Minutes of the meeting on [18<sup>th</sup> July 2023](#);
- Minutes of the meeting on [19<sup>th</sup> October 2023](#);
- Minutes of the meeting on [20<sup>th</sup> November 2023](#), and;
- Minutes of the meeting on [12<sup>th</sup> February 2024](#).

## Task and Finish Groups

Members of the Overview and Scrutiny Committee form small “Task and Finish” groups to look into a particular subject or service where appropriate. They work with officers to find out more about the service area and to identify possible improvements. They attend site visits, forums and meetings and undertake research as necessary in order to obtain further understanding and information to support the review. Their findings are fed back to the rest of the Committee in the form of a report and recommendations. In addition to ensuring value for money and that things are done correctly, ‘Task and Finish’ groups provide excellent development opportunities for Members, help to maintain good Member/Officer relations, raise

awareness of issues and services amongst Members and can identify gaps in Member training.

During 2023-24, there was one Task & Finish Group to undertake a project evaluation of the Theatre refurbishment. There had been two meetings conducted so far and the next meeting would be scheduled in mid-June.

### **‘Call-in’ of Cabinet Decisions**

This Council’s Executive Arrangements, made under Section 21 of the Local Government Act 2000, provide an opportunity for Members to require that the Overview and Scrutiny Committee review a decision taken by the Executive (Cabinet) but not yet implemented. Depending on its conclusion, that Committee could then request that the Cabinet reconsider, and possibly amend, that decision.

The procedure for “calling in” Cabinet decisions is set out in the Council’s Constitution (Part 4.5 – Overview and Scrutiny Rules – Rule 4.5.11). In brief this provides that at least five Members of the Overview and Scrutiny Committee must request the call-in in writing, setting out their reasons, and the request must be received by the Council’s Legal and Democratic Services Manager by 5 p.m. on the fourth working day after the Cabinet decision was taken.

During 2023-24, one Cabinet decision had been called in regarding [the decision taken in regard to the Public Spaces Protection Order at Hylands Estate surrounding dog-walking](#). The Cabinet decision was upheld by the Overview & Scrutiny Committee.

### **Future Projects**

The Committee keeps its work programme under constant review. The work programme is considered at the end of each meeting.

### **Training and Development**

There was a training session at the beginning of the new year before the meeting on the July 2023. Members of the Overview and Scrutiny Committee, which were largely new members, were briefed on the functions of the committee; how the committee works; and, the work programme. The new Chair was also introduced in this training session as well as all the members of the committee.

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