

6 July 2023 at 7pm

Council Chamber, Civic Centre, Chelmsford

Membership

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

and Councillors

Councillor N Dudley (Active Chelmsford)
Councillor L Foster (Fairer Chelmsford)
Councillor I Fuller (Growing Chelmsford)
Councillor R Moore (Greener and Safer Chelmsford)

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

There is also an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. If you would like to find out more, please telephone Dan Sharma-Bird in the Democracy Team on Chelmsford (01245) 606523 email dan.sharma-bird @chelmsford.gov.uk

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THE CABINET

6 July 2023

AGENDA

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

1. Apologies for Absence

2. Declarations of Interest

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

3. Minutes and Decisions Called in

Minutes of meeting on 14 March 2023. No decisions at that meeting were called in.

4. Public Questions

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 20 minutes is allotted to public questions/statements, which must be about matters for which the Cabinet is responsible. The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to committees@chelmsford.gov.uk at least 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.

5. Members' Questions

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

6. Greener and Safer Chelmsford Item

6.1 Hylands Park – Public Spaces Protection Order

7. Leader's Items

7.1 Treasury Outturn Paper

7.2 Capital Programme Update and Provisions Outturn 2022/23

7.3 Budget Framework – Medium-Term Financial Strategy 2024/25

7.4 Proposed Amendments to the Constitution

8. Urgent Business

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

9. Reports to Council

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

PART 2 (Exempt Items)

To consider whether to exclude the public from the meeting during the consideration of the following matters, which contain exempt information within the category of Part 1 of Schedule 12A to the Act indicated:

10. Fairer Chelmsford Item

Proposed Land Purchase

Category: Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding the information)

Public interest statement: It is not in the public interest to release details of this report at present, on the grounds that the report contains information that is commercially sensitive and to place the information in the public realm will be detrimental to the negotiations to be undertaken by the Council

**MINUTES OF
CHELMSFORD CITY COUNCIL CABINET**

on 14 March 2023 at 7pm

Present:

Cabinet Members

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

Opposition Spokespersons

Councillors K Bentley, J Raven, I Roberts, M Steel, A Thorpe-Apps and R T Whitehead

Also present: Councillors P Clark and S Goldman

1. Apologies for Absence

Apologies for absence were received from Councillors Gisby, Hyland, Massey, Poulter and Sismey.

2. Declarations of Interest

Members of the Cabinet were reminded to declare at the appropriate time any pecuniary and non-pecuniary interests in any of the items of business on the meeting's agenda.

3. Minutes and Decisions Called-in

The minutes of the meeting on 24 January 2023 were confirmed as a correct record. No decisions at that meeting had been called in.

4. Public Questions

One statement was made at the meeting on behalf of the consortium of landowners and developers in support of the Masterplan being considered at Item 7.2. It was noted that the final proposals were the result of working closely with Council officers and extensive

engagement and would bring forward the delivery of new homes, community facilities and infrastructure improvements for Great Leighs and beyond.

5. Members' Questions

Two questions were asked by Councillor Bentley at this point of the meeting, other questions were asked by Councillors under the relevant items. Councillor Bentley asked about the Compass Gardens in South Woodham Ferrers, where a play area had been decommissioned with a planned car park extension in its place, but that this had not materialised. Councillor Bentley also asked why no City Councillors had been informed of the procurement process for a refreshments pitch at the site. In response the Cabinet Member for Greener and Safer Chelmsford, thanked Cllr Bentley for raising the issue of the play area and car parking and it was noted that a detailed response would be sent in writing after the meeting. In response to the procurement issue, Cllr Moore stated that this had been a routine and operational matter dealt with under officer delegation. It was noted that no Councillors were informed of matters of this nature and no information had been withheld from local Councillors. The Cabinet Member for Connected Chelmsford also stated that available tender opportunities were always published on the Council's website.

6.1 Amendment to Council Tax premiums in respect of empty properties (Connected Chelmsford)

Declarations of interest:

None.

Summary:

The Cabinet received a report setting out proposals to extend the imposition of Council Tax premiums levied in respect of empty properties once a property had been empty and unfurnished for 12 months or if a property was empty and substantially furnished (a second home).

Options:

1. To agree the extension of 100% premiums as detailed in the recommendations
2. To reject the extension of 100% premiums as detailed in the recommendations
3. To determine a lesser percentage than 100% to be applied in relevant cases

Preferred option and reasons:

To agree the extension of 100% premiums as detailed in the report.

RECOMMENDED TO THE COUNCIL that

1. A Council Tax premium of 100% is levied in respect of empty and unfurnished properties 12 months after the property becomes empty.
2. A Council Tax premium of 100% is levied in respect of unoccupied dwellings, which were substantially furnished.

3. The application of premiums in both cases is applied from 1 April 2024 or such other date as may be permitted following the passage of the Levelling Up and Regeneration Bill through Parliament, with the implementation date delegated to the Director of Connected Chelmsford.

(7.14pm to 7.15pm)

6.2 Discretionary Business Rate Relief Policy (Connected Chelmsford)

Declarations of Interest:

None

Summary:

The Cabinet received a report asking them to amend the existing Discretionary Business Rate Relief Policy to give effect to changes to business rates reliefs announced by the Government.

Options:

1. To agree the proposed amendments
2. To reject the proposed amendments

Preferred Option and Reasons:

The amendments and additions to the existing reliefs available to reduce business rates bills were a helpful assistance to local businesses.

RESOLVED that the additions and alterations to the existing Discretionary Rate Relief Policy as highlighted in Appendix A were agreed.

(7.16pm to 7.17pm)

6.3 Community Funding Scheme – Discretionary Grant Funding 2023/24 (Connected Chelmsford)

Declarations of Interest:

None

Summary:

The Cabinet considered a report asking them to agree the allocation of the discretionary grant funding for 2023/24 to voluntary and charitable organisations as part of the Councils Community funding Scheme.

Options:

1. To agree the recommendations contained in the report made by the Community Funding Panel.

2. To agree, with amendment, the recommendations contained in the report made by the Community Funding Panel.

Preferred Option and Reasons:

To agree the allocations as recommended which had been through a thorough process of assessment and aligned to the Council's corporate priorities.

RESOLVED that

1. Cabinet agrees to allocate £90,000 in 2023/24 to fund the 15 organisations in the amounts detailed and;
2. The Director of Connected Chelmsford be authorised to prepare and issue the grant offer letters and grant funding agreements to the organisations receiving grants for 2023/24.

(7.17pm to 7.18pm)

7.1 Neighbourhood Plans Update and Delegations (Sustainable Development)

Declarations of Interest:

None

Summary:

The Cabinet considered a report providing them with an update on the progress of Neighbourhood plans in the Council's administrative area. The report also sought Cabinet's approval to delegate to the Director of Sustainable Communities in consultation with the Cabinet Member for Sustainable Development, the statutory functions of considering examiner's reports and recommendations, and deciding what action should be taken in response, including (where applicable) the decision to proceed to referendum.

Options:

1. Approve the delegation of the statutory functions referred to above to the Director of Sustainable Communities, in consultation with the Cabinet Member for Sustainable Development.
2. Alternatively, to require the functions to be exercised by Cabinet.

Preferred Option and Reasons:

Option 1 – Delegating these statutory functions would enable timely progress on future stages of the statutory Neighbourhood Plan process.

Discussion:

In response to a question, the Cabinet Member for Sustainable Development stated that there would be no requirements to update plans before their stated end date. If for

example they conflicted with newer policy the most recently adopted plan would take precedent.

RESOLVED that;

1. Cabinet delegated to the Director of Sustainable Communities, in consultation with the Cabinet Member for Sustainable Development, the statutory functions of considering examiner's reports and recommendations for the six Neighbourhood Plans under preparation and deciding what action should be taken in response, including (where applicable) the decision to proceed to referendum and;
2. Cabinet noted the update on progress on Neighbourhood Plans in the Council's administrative area.

(7.19pm to 7.25pm)

7.2. Strategic Growth Site Policy 7 – Great Leighs Masterplan (Sustainable Development)

Declarations of Interest:

None

Summary:

The Cabinet received a report seeking their approval of the masterplan for the Site Allocation known as Great Leighs – referenced by Strategic Growth Site Policy 7 of the Chelmsford Local Plan. It was noted that this had been recommended by the Chelmsford Policy Board.

Options:

1. The Cabinet approve the Masterplan as presented, updated to reflect the content of the minutes form Chelmsford Policy Board on 28 February 2023
2. The Director of Sustainable Communities or Spatial Planning Services Manager, in consultation with the Cabinet Member for sustainable Development, be authorised to make any revisions requested by Cabinet.

Preferred Option and Reasons:

Option 1 – the masterplan demonstrates how the requirements of the Local Plan would be delivered on the site.

Discussion:

In response to a point raised about school provisions, it was noted that officers would engage with Essex County Council as the education authority and have discussions with them at the relevant time. Officers were also thanked for their hard work in producing masterplans over the past four years.

RESOLVED that the Chief Executive should exercise his delegated authority to approved the masterplan.

(7.26pm to 7.34pm)

8.1 Modern Slavery and Human Trafficking Statement (Leader)

Declarations of Interest:

None

Summary:

The Cabinet were asked to approve for publication the annual statement on Modern Slavery and Human Trafficking.

Options:

1. Approve the statement on Modern Slavery and Human Trafficking.
2. Approve a variation of the statement on Modern Slavery and Human Trafficking.

Preferred Option and Reasons:

Option 1 is the preferred options as there is a legal requirement to approve and publish a statement for the 2022/23 financial year. The proposed statement was a comprehensive and factual account of the Council's current position.

RESOLVED that the proposed statement on Modern Slavery and Human Trafficking for 2022/23 be approved and published.

(7.34pm to 7.35pm)

8.2 Cabinet Report on Greater Essex Deal (Leader)

Declarations of Interest:

None

Summary:

The Cabinet were asked to note a report from Essex County Council that set out the proposal for a devolution deal for Greater Essex. It was noted that the three upper tier authorities in Essex planned to submit an expression of interest for Greater Essex to enter negotiations with the Government for either a level 2 or level 3 devolution deal.

Options:

To note the report.

Preferred Option and Reasons:

Option 1 as the report is just for noting.

Discussion:

The Cabinet noted that rounds of discussion had been taking place at various levels regarding the submitting of an expression of interest to the Government. It was noted that no decisions were to be made at this stage, as it was just an expression of interest being submitted by the upper tier authorities. Members queried what benefits would be available to local authorities such as Chelmsford but noted it would be interesting to see what happens after the expression was submitted. It was also noted that at a recent County

Council meeting, assurances had been made that no financial liability would be placed on other Councils to assist Thurrock Council as a result of a possible devolution deal.

(7.36pm to 7.44pm)

9. Urgent Business

There were no items of urgent business.

10. Reports to Council

RESOLVED that Item 6.1 be the subject of report to the Council.

The meeting closed at 7.44pm

Chair



Chelmsford City Council Cabinet

6th July 2023

HYLANDS PARK – PUBLIC SPACES PROTECTION ORDER

Report by:

Cabinet Member for Greener and Safer Chelmsford

Officer Contact:

Paul Brookes, Public Health and Protection Services Manager

01245 6096436, paul.brookes@chelmsford.gov.uk

Purpose

To consider consulting on a Public Spaces Protection Order (PSPO) restricting areas of Hylands Park where dogs are allowed, where dogs are allowed off the lead, and restricting the number of dogs that can be walked by an individual, thereby providing a safe environment for all park users.

Options

1. To consult on the making of the Public Spaces Protection Order
2. To consult on the making of the Public Spaces Protection Order with amendments
3. Not to proceed with the making of the Public Spaces Protection Order

Recommendations

1. The Director of Public Places be authorised to consult on the proposed Public Spaces Protection Order.
 2. If, following the consultation, no objections are received the Director of Public Places be authorised, in consultation with the Cabinet Member for Greener and Safer Chelmsford, to make the Public Spaces Protection Order.
-

1. Introduction

- 1.1 Hylands Park is an important open space that many residents and visitors utilise for various leisure activities, events, and relaxation. It is a park that is also very popular with dog walkers. Whilst for the majority of the time all activities are compatible and co-exist harmoniously there have been occasions when dogs dangerously out of control have caused alarm, distress and injuries. Unfortunately, incidences of this nature are increasing both locally and nationally.
- 1.2 It is proposed to introduce a Public Spaces Protection Order (appendix 1) to help provide a safe environment for all users of the park whilst accommodating all activities currently taking place.
- 1.3 The Anti-Social Behaviour, Crime and Policing Act 2014 introduced a variety of powers for local authorities to deal with anti-social behaviour including Public Spaces Protection Orders.
- 1.4 Public Spaces Protection Orders (PSPO) are intended to deal with a particular nuisance or problem in a particular area that is detrimental to the local community's quality of life, by imposing conditions on the use of that area which apply to everyone. The order can be used to deal with likely future problems.
- 1.5 PSPOs are designed to make public spaces more welcoming to the majority of law-abiding people and communities.

2. Public Spaces Protection Orders

- 2.1 A local authority may make a Public Spaces Protection Order if satisfied on reasonable grounds that two conditions are met:
 - That activities carried on in a public place within the authority's area have had a detrimental effect on the quality of life of those in the locality, or it is likely that activities will be carried on in a public place within that area and that they will have such an effect, and
 - that the effect, or likely effect, of the activities is, or is likely to be, of a persistent or continuing nature, is, or is likely to be, such as to make the activities unreasonable, and justifies the restrictions imposed by the notice.
- 2.2 The PSPO lasts for 3 years, but at any point before it expires the PSPO can be extended for a further 3 years. A PSPO can be varied at any point, variations are most likely to be made to close any legal loopholes which offenders may be exploiting to avoid enforcement action.

- 2.3 The penalty for breaching a PSPO is a £100 fixed penalty notice or prosecution in the Magistrates Court, although in line with good practice informal and formal warnings will also be used when enforcing the PSPO.
- 2.4 Whilst some of the issues proposed to be controlled by the PSPO can already be controlled through existing legislation, control by the PSPO is clearer and more effective, and closes some loopholes that make enforcement of existing legislation ineffective.

3. Rationale for PSPO

- 3.1 Hylands Park needs to balance the competing needs of all members of the public that use the park for various activities and events. Whilst for the majority of time there is no conflict unfortunately there have been times where members of the public are subject to alarm, distress and sometimes injuries from dogs not under control. The park is particularly popular for organised pack walks for both breed specific and general breeds, these walks tend to be off lead walks and can result in a number of dogs acting aggressively.
- 3.2 It is recognised that many dog walkers like to walk their dog 'off the lead' and Hylands Park provides an ideal opportunity to do so, however, walking a dog off the lead if not under full control of the owner can cause alarm and distress even if the dog is not dangerous. For people scared or nervous around dogs the often heard phrase "don't worry they won't hurt" doesn't provide much reassurance.
- 3.3 Dogs that are walked off the lead and not under the full control of the owner can easily become dangerously out of control. The Council receives many complaints about dogs being out of control and last year received 33 reports of dog on dog or dog on human attacks in public areas (these figures don't include complaints where attacks are from stray dogs). The following are excerpts from complaints made by members of the public when reporting incidents:
- *Complainant was on a "dog walking event" at Hylands House, the event organiser's dog attacked her dog during the walk whilst it was off the lead.*
 - *Walking towards the car park from Hylands House when a woman with 4 dogs. 3 dogs (2 small, 1 medium) were on leads and one big black, either Rottweiler / Akita / Chau Chau type dog, was off the lead and this one grabbed our dog round the neck*
 - *Hylands Park, walking very small, miniature Schnauzer Carli on a lead about 5pm going up the field towards the Widford Church exit. A huge dog not on a lead saw her, ran at, attacked and at some point bit her.*
 - *Hylands Park 8am large husky type dog tried to bite complainant*
 - *Dog attacked complainant – always off the lead and fouling*
 - *Hylands House near the grand pavilion – complainant's dog was on the lead, two terriers were off the lead and attacked her dog.*

- *Hylands Park – Opposite the play area – A family were approached by 5 loose large dogs (possibly rottweilers) – one jumped on the 4yr old and there was a verbal argument between subject and complainant.*

- 3.4 The proposed PSPO will allow people who are nervous around dogs, or nervous when dogs are around their children and those dog walkers who wish to keep their dog on the lead to walk within the park confident that they can enjoy the park without the risk of being subject to aggressive behaviour from dogs not under control. The PSPO also allows dog walkers plenty of space to walk their dog off the lead if they prefer.
- 3.5 Limiting the number of dogs that can be walked by an individual is aimed at professional dog walkers. Keeping a large number of dogs under control is difficult and it does lead to an increase in dog fouling as the dog walker is unable to watch all the dogs at the same time. Restricting the number of dogs that can be walked at one time to 4 or below should not impact on members of the public but will help mitigate issues caused by professional dog walkers.
- 3.6 Prohibiting dogs from small areas of the park is mainly replicating existing by-laws that are difficult to enforce and are in place to protect children whilst playing in the play area, preventing accidents in the car park, protecting livestock, and preventing conflict around Hylands House.

4. Public Spaces Protection Order

- 4.1 The PSPO prohibits:
- Dogs being off the lead in the hatched areas shown on the map in appendix 2
 - Dogs being within the red blocked areas shown on the map in appendix 2
 - An individual walking 5 or more dogs at one time
- 4.2 The areas to be covered by the PSPO in respect of dogs being off the lead
- All car parks within Hylands Park
 - Access route from Widford Church
 - The lake
 - The area between the fort play area and the Hylands House car park
- 4.3 The areas to be covered by the PSPO are Hylands Park and in respect of dogs not being permitted in the area
- The fort play area
 - The fenced area for grazing cattle
 - Area immediately around Hylands House
 - The walled garden
 - Hylands House, pavilion and courtyard
- 4.4 The PSPO does not apply to Assistance Dogs

5. Consultation

- 5.1 Consultation will be carried out as required by the Anti-Social Behaviour, Crime and Policing Act 2014. The consultation will be advertised on the Council's website from 13th July 2023 to 11th August 2023. The following consultees will be written to; Essex

Police, Essex County Council, Chelmsford City Council's Parks and Green Spaces, and Writtle Parish Council.

- 5.2 The map attached at appendix 2 is required for the legal making and enforcement of the PSPO, however, for the consultation and ongoing public information a more customer friendly map will also be used, this is attached at appendix 3.

6. Conclusion

- 6.1 There have been numerous complaints about dogs being dangerously out of control, and numerous incidents of dog-on-dog attacks, normally where one dog is off the lead. All users of Hylands Park need to be able to enjoy the park without concern for their safety.
- 6.2 The proposed Public Spaces Protection Order enables everybody to enjoy the park in the manner they wish to. Introducing areas where dogs must be on the lead enables other park users not to be at risk from out of control dogs and providing areas where dogs can be off the lead ensures no group is discriminated against.
- 6.3 Limiting the number of dogs an individual can walk at one time will assist in managing issues caused by professional dog walkers when they are walking more dogs than they can control and manage.
- 6.4 Public consultation will take place as required by the Anti-Social Behaviour, Crime and Policing Act 2014. If objections are received the proposed PSPO will be brought back to Cabinet for consideration.

List of appendices:

Appendix 1 – Public Spaces Protection Order
Appendix 2 – Map showing restricted areas
Appendix 3- Alternative graphic showing restricted area

Background papers:

The Anti-Social Behaviour, Crime and Policing Act 2014

Corporate Implications

Legal/Constitutional: These are set out in the report.

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: Impact assessment not required

Health and Safety: None

Digital: None

Other: None

Consultees: Detailed in the report

Relevant Policies and Strategy:

Chelmsford City Council

Proposed Public Spaces Protection Order - Hylands Park 2023

Anti-social Behaviour Crime and Policing Act 2014 ('the 2014 Act') - Section 59

NOTICE is hereby given that Chelmsford City Council ('the Council') is proposing to make a Public Spaces Protection Order ('PSPO') which will apply to the public places ('the restricted area') hatched in red and blocked in blue on the plan attached at Schedule to the Order, which comprises of land within **Hylands Park**.

Under section 74(1) of the 2014 Act 'public place' means any place to which the public or any section of the public has access, on payment or otherwise, as of right or by virtue of express or implied permission.

The effect of this PSPO, if made, will be **to prohibit** within the restricted area the following activities:

- Within the red hatched areas walking a dog off the lead
- A dog(s) being within the blue blocked areas
- Within Hylands Park an individual walking 5 or more dogs

Assistance dogs are exempt from any restrictions within this PSPO.

It is proposed that the PSPO (if made) would have effect for a period of 3 years from the date of making. The duration of the PSPO could be extended for a further period (not exceeding 3 years) in certain cases.

Failure without reasonable excuse to comply with the prohibitions and requirements imposed by this PSPO (if made) is a summary criminal offence under section 67 of the 2014 Act. A person guilty of an offence under section 67 of the 2014 Act is liable on summary conviction to a fine not exceeding level 3 on the standard scale (currently £1,000).

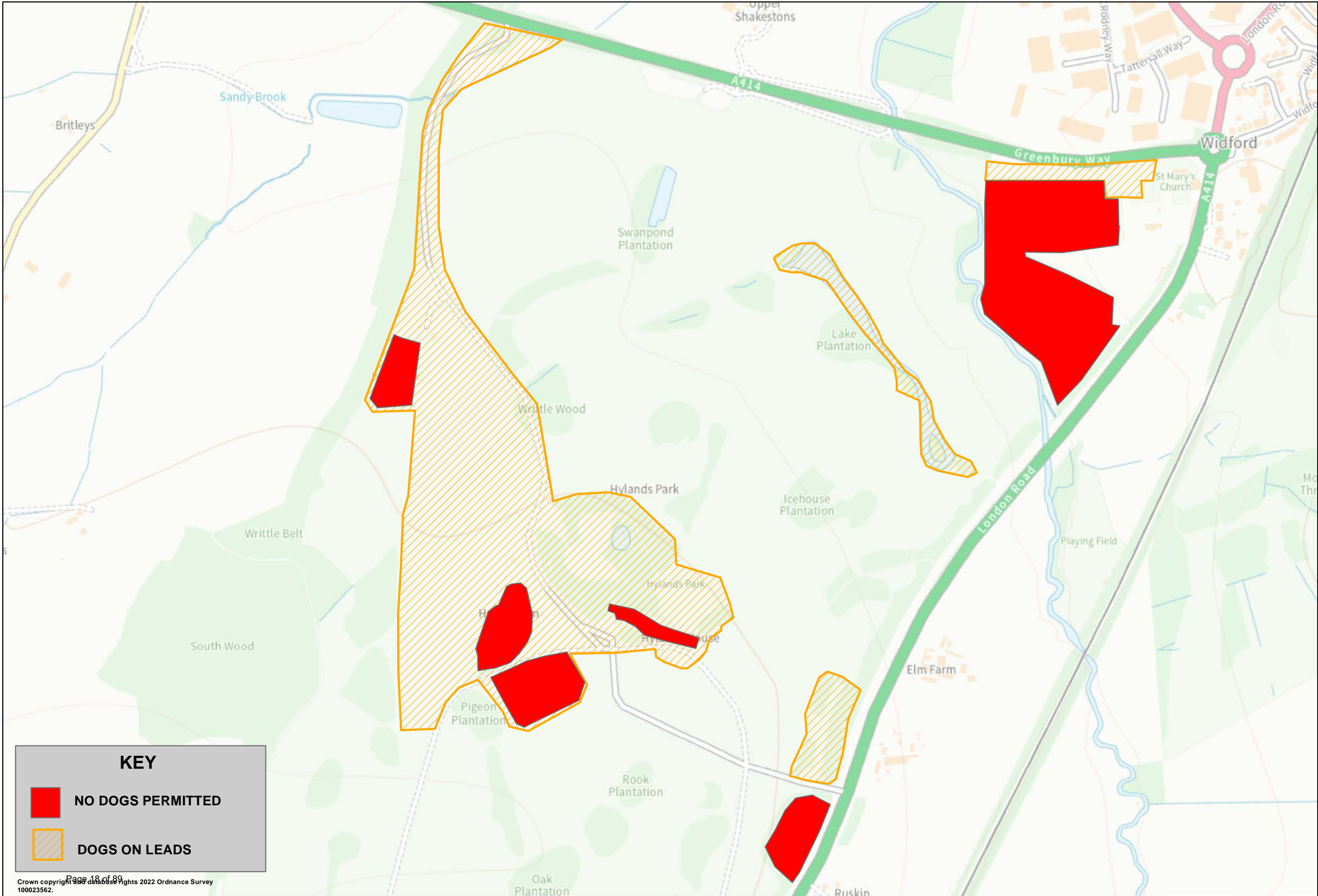
A constable or authorised person may under section 68 of the 2014 Act issue a fixed penalty notice to anyone he or she has reason to believe has committed an offence under sections 63 or 67 of the 2014 Act in relation to this PSPO.

Signed.....


Director of Public Places on behalf of Chelmsford City Council

Chelmsford City Council
Civic Centre
Duke Street
Chelmsford CM1 1JE

Dated



KEY
















-  **NO DOGS PERMITTED**
-  **DOGS ON LEADS**

Hylands Estate

Guidance for PSPO restricted areas



Key

-  Entrance to venue
-  Parking
-  Bicycle entrance
-  Pedestrian entrance
-  No dogs permitted
-  Dogs on leads
-  1 Adventure playground
-  2 The Stables courtyard
-  3 Hylands House and Grand Pavilion
-  4 Paddock
-  5 Home Farm (staff access only)
-  6 Serpentine Lake
-  7 Grazing area for cattle
-  8 Temporary car park
-  9 Walled garden (no public access)



Treasury Management and Investment Sub-Committee / Cabinet

19 June 2023 / 06 July 2023

Treasury Management Outturn Report 2022/23

Report by:

ACCOUNTANCY SERVICES MANAGER (Section 151 officer)

Officer Contact:

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

Purpose

Under statute and the CIPFA Code of Practice on Treasury Management (“the Code”), Members are required to receive a report on the Treasury Management activities that took place in 2022/23.

Recommendations

That the Council be recommended to approve the Treasury Management Outturn Report 2022/23.

1. Introduction

- 1.1. The CIPFA Code of Practice for Treasury Management sets out the requirements for oversight by the Council of its treasury management operations. As part of the Code, the Council is required to receive an annual report on the performance of the treasury management function which highlights the effects of decisions taken and the circumstances of any non-compliance with the Code and the Council’s Treasury Management Strategy.

2. Background

- 2.1. The Council can expect to have cash to invest arising from its revenue and capital balances, and collection of Council Tax. This cash can be usefully invested to produce a return to help support services and Council Tax. The activities around the management of this cash and borrowing are known as 'Treasury Management'.
- 2.2. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:
- "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*
- 2.3. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.
- 2.4. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 2.5. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. Due to the late notice of the changes in December 2021 and therefore the shorter time to interpret and implement the new code, the City Council has chosen to defer the reporting requirements until 2023/24. So this report and the 2022/23 Strategy were compiled on the previous Code's basis.
- 2.6. The Council's investment priorities as required by Government regulations are in order of priority:
- (a) The security of Capital
 - (b) The liquidity of its investments; and
When these are satisfied
 - (c) Yield
- DLUHC and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.
- 2.7. The operation of Treasury Management is not without risk and the Council could suffer losses if one of its counterparties had financial difficulties.
- 2.8. The Council formally reviews its investment holdings in the following ways:

- Treasury Management Strategy report in February
- Treasury Outturn report in July
- A half-year update in November
- Treasury Management sub-committee to monitor Treasury Activity during the financial year.

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

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2022/23 Strategy

3. Summary of Review

- 3.1. During the financial year, there were no breaches of the Treasury Management Strategy.
- 3.2. The economic environment for the financial year was marked by rising inflation and interest rates.
- 3.3. The Council's investment holdings on the 31st March 2023 were £42m compared to £76m on 31st March 2022. The average and closing balances for the year were higher than allowed for in the budget. This was due to various balances being held due to later payment of capital spend such as £4.2m payment towards the Chelmer Waterside Scheme and CIL funded capital schemes of £3.1m.
- 3.4. Interest earnings from investments for the year were £1.87m, which was £1.17m higher than the budget, predominantly due to the rising interest rate environment experienced through the financial year. The Bank of England base rose rapidly from 0.75% to 4.25% in the year.
- 3.5. The overall return on investments for 2022/23 was 4.1% compared to 0.75% in the previous year.
- 3.6. The Council was invested in 4 pooled funds at the end of 2022/23 which generated total income returns of £664k at a return of 3.8%. Capital values were down reflecting the upward movement in interest rates, it can be expected that over the next couple of years capital values will recover.

4. Conclusion

- 4.1. It should be noted that the Council's Treasury Management has operated within approved parameters, has resulted in no realised losses and delivered income of £1.87m which has helped to offset financial cost pressures.

List of appendices:

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2022/23 Strategy

Background papers:

None

Corporate Implications

Legal/Constitutional: None

Financial: As detailed in 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: None

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies:

Treasury Management Strategy 2022/23

Appendix A – Economic Environment Update

Introduction

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

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

Economic factors

It is no surprise that UK interest rates have been volatile right across the curve (different duration of bonds) given the inflationary pressures, easing of Covid restrictions, the Russian invasion of Ukraine, and shifts in UK Government economic policy.

CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The Bank of England therefore increased the base rate to try to bring inflation back in line with its 2.0% target with the Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. There was a temporary shock to the rates through September and October for seven weeks with rates expecting to peak at over 6% at one point but has since settled.

The Council benefitted from some of these increases with its liquid funds held in money market funds and notice funds that were linked to base rate. The Council's notice accounts are also directly linked to the Bank of England base rate and so received immediate rises in line with the increases.

The valuation of the Council's investment in the CCLA Property Fund decreased by £1,247k in the year, leaving the Council's unrealised gain at £1,319k on its initial investment. Capital valuations have moved downwards and expected to continue during 2023 driven by market factors. Higher inflation has led to high interest rates causing a slowdown in the transaction flows and reductions in valuations. The Fund has a minimum 180-day redemption period which was increased from 90 days as a temporary extension to the redemption period as a proactive measure and not due to any redemption concerns.

The valuations of the Council's investment in the 3 Multi Asset Funds also changed throughout the year, with an overall decrease in value across the 3 of £878k taking the unrealised loss to £1,053k. These investments are seen as medium to long term

investments over a 3-to-5-year period and so capital values will fluctuate up and down during this investment horizon.

The Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investments funds to 31st March 2025.

Appendix B – Borrowing and Actual Investment Activity compared to the Approved Strategy for 2022/23

External borrowing

1. The Council has the freedom to borrow in the following circumstances:

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

The Council did not need to borrow externally in 2022/23.

2. Finance leases are deemed by Government to be a type of borrowing in the Council's Accounts and Treasury reporting must identify that the Council has borrowed money when they are used. At 31st March 2023, the Council had outstanding finance lease liabilities of £1,051K, used to acquire vehicles and equipment to deliver existing services.

Investments

3. Officers with appropriate knowledge and training invest the Council's cash balances. Arlingclose were used as advisers on treasury management to help inform the decision-making process and this changed to Link Treasury Services during the year through a competitive tender exercise.

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

i) Security – protecting the capital sum invested from loss

ii) Liquidity – ensuring the funds invested are available for expenditure when needed

iii) Yield – subject to achieving proper security and liquidity, to pursue a yield on investments to support service provision

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

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

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

- Longer term, higher yielding investments – these are investments of ‘core cash’ which the Council does not require for operational purposes within the short to medium term. Core cash comes from the Council having for example reserves, such as the General revenue balance. These core cash balances can be invested for a year or more in appropriate counterparties in-order-to generate higher yields without causing liquidity issues.

6. During 2022/23 the Council’s investment portfolio decreased from £76.0m to a closing balance of £42m. The movement is due to temporarily holding government grant funding from previous year that was either repaid or spent and also spend on the capital programme.

Compliance with Treasury Management Strategy

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

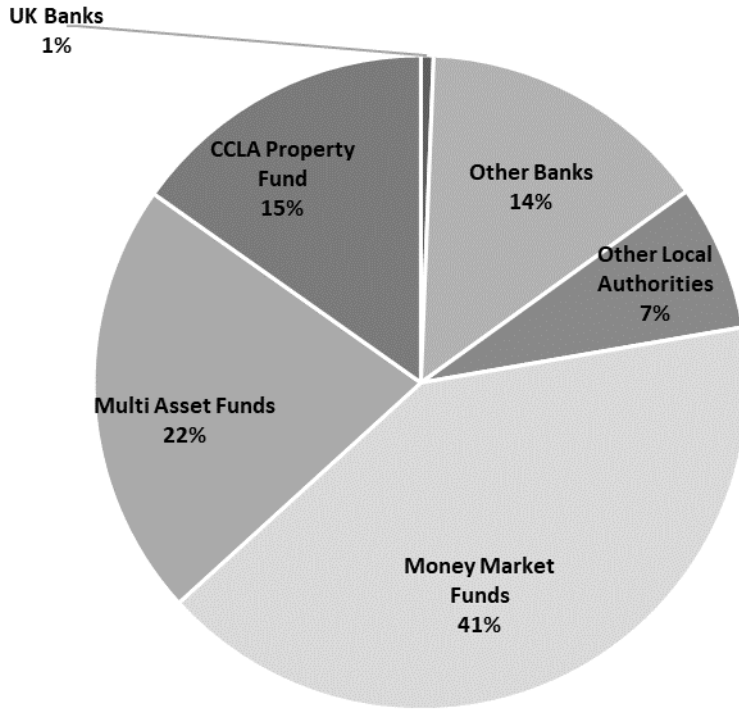
- | | |
|---|--|
| a. To ensure that there are no breaches of the approved counterparty limits or durations | No breach occurred. |
| b. To maintain a target balance of £15m of short notice funds to manage liquidity | The Council held less than £15m in liquid funds for a period of 5 days at the beginning of March, however this was planned with notice funds maturing, so caused no liquidity problems and within target of available cash within 35 days. |
| c. To maintain long term investments within set limit of £20m | Long term investments holding were within parameters |

The total bail in risk moved by 1% from 77% to 78% mostly due to year end cash movements and size of portfolio. The smaller the portfolio the higher the bail in risk as the more of the funds will be held in liquid deposits (money market funds).

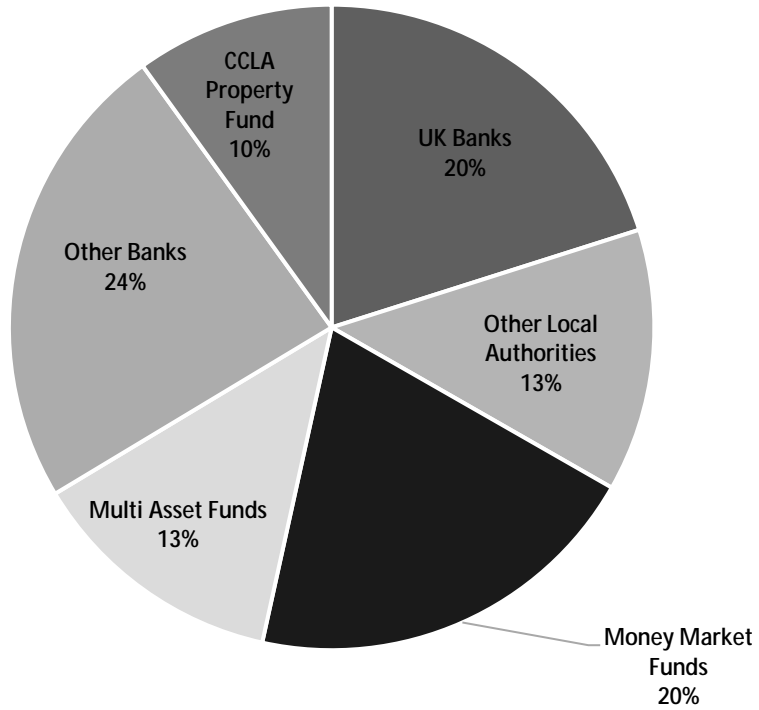
As at 31st March the Council’s exposure to bail in risk (direct lending to banks and building societies) was 15%, against 44% at the end of the previous financial year.

Exposure	2020/21	2021/22	2022/23
Bail In Risk -Direct investment	11%	44%	15%
Bail In Risk – Pooled Fund Managers and Money Market Funds	48%	33%	63%
Exempt from Bail In (including CCLA)	41%	23%	22%
Total	100%	100%	100%

Investment at 31/03/23 By Sector



Investment at 31/03/22 By Sector



Counter Party

Money Market Funds & Long-Term Funds	Credit Rating (Fitch)	Sum Invested (31/03/2023)	Limits 2022/23
Black Rock Money Market Fund	AAAmf	£5,900,370	£6,000,000
Insight Money Market Fund	AAAmf	£5,512,300	£6,000,000
Aberdeen Money Market Fund	AAAmf	£5,067,920	£6,000,000
Deutsche Money Market Fund	AAAmf	£20	£6,000,000
Invesco Money Market Fund	AAAmf	£550	£6,000,000
BNP Paribas Money Market Fund	AAAmf	£541,730	£6,000,000
CCLA Property Fund	N/A	£6,318,540	£8,000,000
Aegon Multi Asset Fund	N/A	£3,147,290	Total of £10,000,000
Ninety-One Multi Asset Fund	N/A	£2,984,780	
CCLA Multi Asset Fund	N/A	£2,814,790	

Banks & Building Societies

Natwest	A+	£258,260	£3,000,000
Barclays	A+	£640	£3,000,000
Toronto Dominion	AA-	£3,000,000	£3,000,000
Royal Bank of Canada	AA-	£3,000,000	£3,000,000

Local Authorities

London Borough of Barking & Dagenham	N/A	£3,000,000	£10,000,000
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Total Investments

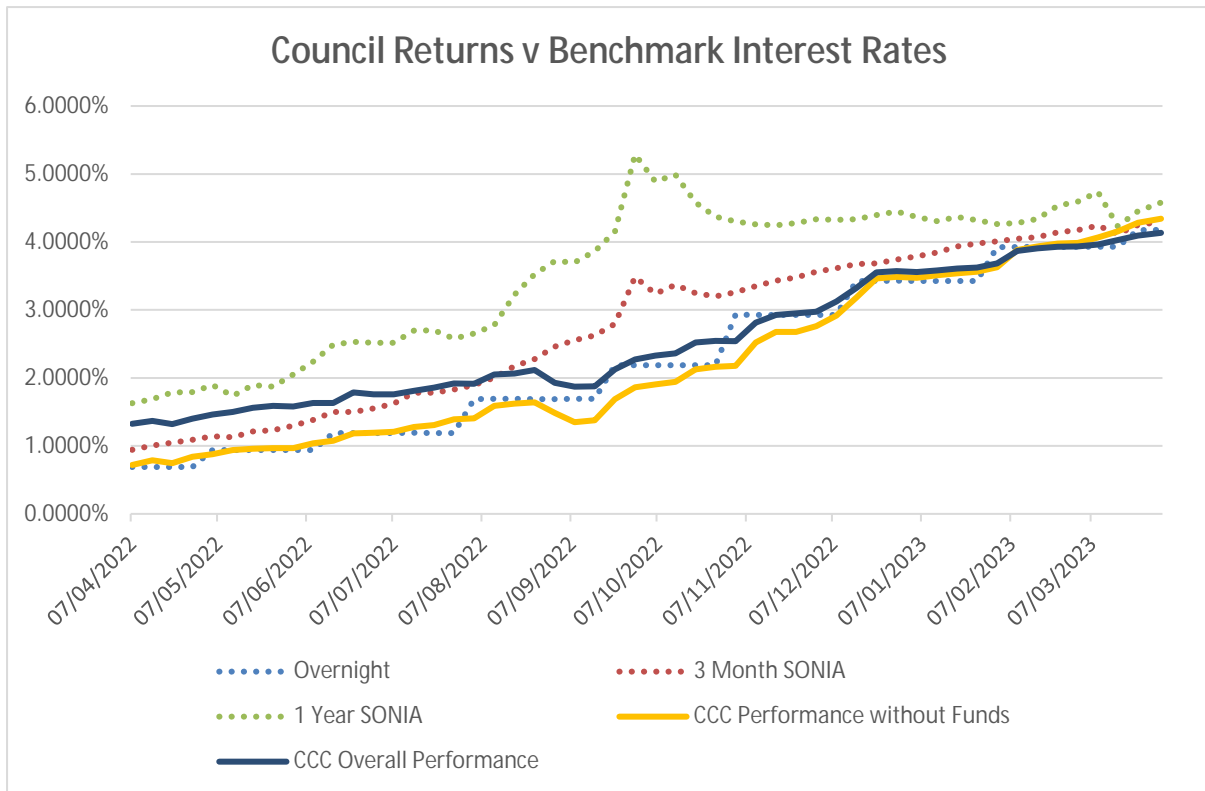
£41,547,190

Return on investments

8. Interest rates has been at the highest levels since 2008 going from 0.75% at the beginning year with 8 successive interest rate rises during 2022/23 and ending the year at 4.25%. The increases have led to higher interest returns than originally expected. At the time of writing the base rate was at 4.5% and still expected to rise further.

The Council changed treasury advisors during the year and joined the benchmarking club that Link Treasury Services provide and form a pool of 19 authorities within the benchmarking group. From the March 2023 benchmarking report, the council's performance was above the return expected for the level of risk taken compared to other local authorities. The main driver for this was due to the large portion of its holding being held in money market funds and as a result picking up the rate rises faster than those who had entered into fixed investments for longer durations and these funds would typically hold lower risk as they are more liquid. However, officers expect performance to be more in line with other authorities in future as Council spends its cash balances to fund its capital programme.

The below table highlights Sterling Overnight Rate (SONIA) as a comparison against the returns the City Council generated.



The Council earned a total of £1,867k in investment income during the 2022/23 financial year, which was £1,166k additional income over the £701k budget. This was predominantly due to higher interest rate levels than expected but budget was set around the beginning of 2022.

	Market investments (excluding CCLA and Multi Asset Funds)	Multi Asset Funds Income & CCLA Property Fund Yield (Based on April 2022 Valuation)	All Investments Income Yield
	Year ending 31/03/2023		
Average yield	4.3%	3.8%	4.1%

The yields above have used the opening balance on any fund investments.

8.1 Funds

The City Council held funds in 3 Multi-Asset Funds during the financial year and also maintained its investment in the CCLA Property Fund. All of the Council's investments in these types of funds are seen as strategic and are therefore invested for the medium to long term for a rolling period of 3 to 5 years. The total balance invested makes up part of the Council's core cash that it is expected to hold for the long term.

Income returns on the 4 funds are outlined below along with the closing capital value of the fund, initial investment value and unrealised gain or loss.

Fund	Initial Investment Value £	1/04/2022 Investment Value £	31/03/2023 Investment Value £	Unrealised Gain/(Loss) (since inception) £	Income Return (Based on 1 st April 2022 Valuation)
CCLA Property Fund	5,000,000	7,565,769	6,318,537	1,318,537	3.62%
CCLA DIF	3,100,000	3,089,233	2,814,794	(285,206)	2.75%
Aegon DIF	3,600,000	3,584,400	3,147,286	(452,714)	5.00%
Ninety One DIF	3,300,000	3,151,873	2,984,782	(315,218)	4.01%

Total Income from the 4 funds above during 2022/23 was £664,369.

The unrealised loss on the fund assets during the financial year was £2,125,876 which generated a significant (but unrealised) total loss for 2022/23. The valuation of the funds has been affected by the higher interest rates and global economy. These remain long term investments where valuations would be expected to pick up over the next few years, as interest rates stabilise. The fund portfolio has a net unrealised gain of £265K when comparing to initial investment value.

Conclusion

The Council has operated within its Treasury Management Framework. This has enabled the Council to safeguard its financial assets and produce a good level of return relative to the prevailing market interest rates and other local authorities compared to via Links benchmarking.



Chelmsford City Council Cabinet

6th July 2023

Capital Programme Update and Provisional Outturn 2022/23

Report by:

Cabinet Member for Finance and Audit

Officer Contact:

Phil Reeves, Accountancy Services Manager (S151 Officer)

Email Phil.Reeves@chelmsford.gov.uk Telephone 01245 606562

Purpose

1. To report the capital expenditure incurred in 2022/23 and the resources used to finance it.
2. To update the approved Capital Schemes for variations in cost which have been identified at outturn and to date.
3. To update the approved Asset Replacement Programme for 2023/24 for variations in cost and timing which have been identified at outturn and to date.

Options

To either accept or reject the recommendations.

Preferred option and reasons

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

Recommendations

That the Cabinet:

1. Approves the latest proposed budgets for the Capital Schemes a net increase of **£183k** from £123.876 to £124.059m shown in **Appendix 1** and detailed in **paragraph 3.1** which includes;
 - a. the cost of the increased schemes £495k
 - b. the net reduction in the outturn of the completed schemes, -£257k
 - c. the budget removed as the spend was transferred to revenue, -£55k

2. Approve the proposed Asset Replacement Programme for 2023/24 a net increase of £222k from £5.013m to £5.235m shown in **Appendix 4** and detailed in **paragraph 4.2** which includes;
 - a. the rephasing of spend from 2022/23 £176k and
 - b. increases in budgets £46k.

And that the Cabinet recommends to Council that it:

1. approves the method of funding the capital expenditure incurred in 2022/23, as set out in the table in **paragraph 5** and as recommended by the S151 Officer to be the most cost effective;

2. note that changes to the budgets for the Chelmer Waterside Infrastructure project are not contained in this capital update report but dealt with in a separate report to be taken to July Council;

3. notes the proposed budget for the Capital Schemes, £124.059m and the risks associated with those budgets;

4. note the Asset Replacement Programme for 2023/24, £5.235m

1. Background

The Council has a long-established process for monitoring and reporting its forecast expenditure and income against approved estimates. Formal monitoring reports are prepared on a regular basis and these are supplied to all Cabinet Members.

2. Introduction

There are two types of expenditure, capital and revenue.

Capital expenditure relates to the acquisition or enhancement of assets which have a useful life in excess of 12 months and are charged to the Council's balance sheet and shown as fixed assets (this can include software, property, plant and equipment that can be in use for more than one year). To be an enhancement, the expenditure on the asset must lengthen substantially the useful life of the asset, increase substantially the open market value or increase substantially the extent to which the Council can use the asset. We can make capital grants to third parties or incur capital expenditure on assets which do not belong to us which is funded from capital resources which are not recorded on the Council's balance sheet. An example of this would be improvements made to an asset belonging to Essex County Council to improve public realm.

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

2.1 Capital Programme

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

Services submit bids annually for schemes to be added to the capital programme. The schemes should add value to the organisation, provide revenue savings or additional income, move forward Our Chelmsford: Our Plan objectives or have statutory/health and safety implications.

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

2.2 Capital Resources

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

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

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

Capital Reporting

A 'Capital Programme Update' report is taken to Cabinet in January and a 'Capital Programme Update and Outturn' report is taken to Cabinet/Council in July each year. A further 'Capital Programme Monitoring and Update' report is taken to Cabinet in November.

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

A delay could also impact on the ability to realise additional income or make savings from a scheme.

2.3 Methods of Approval

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

During the year, approval can be sought for further schemes or extensions to existing ones via supplementary approval or the use of urgency letters, depending upon the level of expenditure required. An urgency letter authorises the Leader of the Council and Chief Executive to incur additional expenditure in extraordinary circumstances.

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

3 Capital Schemes

Appendix 1 shows that there have not been any increases approved to the capital schemes since the last report to Council in February 2023 and the approved budget is £123.876m

3.1 Monitoring Against Latest Approved Budgets

Appendix 1 gives the overall capital outturn information for the completed Capital Schemes at the end of March 2023 and the latest forecast expenditure for the ongoing scheme costs. It identifies the variances in total individual scheme costs.

Appendix 1 shows that the proposed cost of the Capital Schemes has increased by a net £0.183m against the latest approved budget of £123.876m, or 0.15% of the overall Capital Schemes' costs. The table overpage provides a summary.

Approved Budget	£123.876m
Proposed Reductions in Scheme Costs – see Appendix 1 Scheme number 36 – Mass Tree-planting and Woodland Creation. Spend transferred to revenue, not reduction in planting. Appropriate revenue resources have been allowed for to fund this cost in financial planning.	-£0.055m
Proposed Increases in Scheme Cost Requires Approval – see Appendix 1 for details	
Scheme number 15 – Various Land Disposal Costs	£0.135m
Scheme number 59 – Public Realm Tindal Square – Funded additional LEP grant	£0.065m
Scheme number 81 – Garden Community Infrastructure Fund – (Grant funded)	£0.290m
Other Smaller Schemes - see Scheme 75 CIL Funded	£0.005m
Total £0.495m	
Variations - Completed Schemes to be noted	
i) Actual Increases in Completed Scheme Cost no external funding – do not require approval, to be noted.	£0.004m
ii) Actual Increases in completed scheme costs funded from S106 or CIL – do not require approval to be noted	£0.148m
iii) Actual Reductions in Completed Scheme Costs, to be noted	-£0.409m
Total net reduction £0.257m	
Total Proposed Budget Capital Schemes	£124.059m

3.2 Officers have previously reported to Cabinet and Council that scheme number 61 Chelmer Waterside Infrastructure, is potentially going to be £9m above the approved estimate and may be materially higher. A report will be made to July Council providing a more robust cost. When that costing information is available Members can scrutinise and approve the next steps. The table above and Appendix 1 have excluded the variation until complete information has been received and reviewed to ensure that robust information is available to members. Further details on the project are in 3.5.1 below.

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

3.4 **Appendix 1** shows that there are some schemes reported as being delivered late.

The majority of these schemes are reliant upon conditions outside the control of project officers, such as obtaining planning permission and consents and paying over CIL and Section 106 grants to third parties, which are dependent upon works they have completed. The delay in the spend is favourable to the Council in terms of investment and returns.

The original forecast expenditure for the year 2022/23 was £67.076m. The actual expenditure for 2022/23 was £29.280m. This is a net reduction for the spend in-year of £37.796 or 56.4%. **Appendix 6** provides details of the schemes and shows the major variations over £1.5m.

This delay in expenditure was beneficial to the resourcing of the Council's 2022/23 capital expenditure and has delayed the use of finite capital resources and reduced the requirement for internal borrowing in the year. This was previously reported to Cabinet in November 2022 in the Capital Programme Monitoring and Update Report as a forecast underspend in year of £28.9m.

3.5 Update on Capital Schemes

3.5.1 Chelmer Waterside Infrastructure – Access Road, Bridge and Associated Works

Planning permission was granted in June 2021 and the Council has now completed the design and build stage of the road/bridge. This scheme is a two-stage design-and-build contract. Stage 1 is the detailed design and technical approval, and Stage 2 is the construction. Stage 1 has been completed and consultants are currently validating the price for the project. The Council have the option to proceed or not at this stage. Early indications were that the price for the scheme had increased significantly. This has previously been reported as £9m but is likely to increase further. A report will be taken to July Council with the full estimated cost which will seek approval for the next steps for the scheme, including consideration of the budget. Any additional costs are expected to be funded from CIL or higher capital receipts (sale proceeds) from nearby sites.

The City Council has drawn down the full £13.7m of the Housing Infrastructure Fund grant from Homes England. This is ahead of the final scheme cost and approval.

3.5.2 Inflation

Many of the budgets set out in **Appendix 1** are approved on the basis of the best advice available at the time the bid requests were submitted. However, as previously mentioned in the Council's Budget Report 2023/24, there is

unprecedented inflationary pressure in the economy which makes the outcomes of tenders for goods and services erratic. Changes in project cost will be reported and approvals for additional budgets dealt with under the normal financial delegations.

3.5.3 Final Account Negotiations

Several large complex schemes were completed in 2022/23 and although recorded as completed schemes in **Appendix 1** the final accounts with the main contractors are still being negotiated. There is a risk with these schemes that the scheme cost currently reported may not reflect the final negotiated costs.

3.5.4 Feasibility Studies and Design Works

It should be noted that the capital programme includes a number of feasibility studies and design works. There is a financial risk with such schemes that should be noted. Any capital scheme where costs have been incurred but the scheme is not completed is likely to result in those costs being re-classified from capital to revenue. The Council would have to use Revenue Reserves to meet such costs. A £1.2m reserve has been established within revenue for this should the need arise.

4. Asset Replacement Programme

4.1 Monitoring Against Latest Approved Budget

Appendix 3 shows that the final outturn for 2022/23 was overspent by a net £0.076m or 1.98% when compared to the approved budget of £3.897m. £0.176m has been moved forward into 2023/24. The remaining net £0.252m relates to cost increases in 2022/23. The table below provides a summary.

Approved Budget 2022/23	£3.897m
Proposed Change in scheme phasing	-£0.176m
Variation in Asset Replacement Cost	£0.252m
Total Outturn 2022/23	£3.973m

4.2 **Appendix 4** shows that the proposed budget for 2023/24 asset replacements is £5.235m compared to the approved budget of £5.013m. This is a net increase of

£0.222m, or 4.43%. £0.176m is due to asset replacements being delayed from 2022/23 until 2023/24. The table below provides a summary.

Approved Budget 2023/24	£5.013m
Proposed Change in scheme phasing from 2022/23 Requires Approval – For detail see Appendix 4 “Rephasing from 2022/23 – Requires Approval”	£0.176m
Increases in Asset Replacement Cost Requires Approval – For detail see Appendix 4 column “More/Less Than Approved Budgets – More Requires Approval”	£0.046m
Total Proposed Budget 2023/24	£5.235m

4.3 **Appendix 5** provides narratives, for variances in excess of £25k for 2022/23 and 2023/24, against the Latest Approved Budgets.

5.Funding of Programme

The application of resources to meet capital expenditure incurred in 2022/23 is shown in the table below. The discussion and approval for the funding will be included within the Medium-Term Financial Strategy which will be taken to Cabinet in September.

<u>Method of Funding</u>	<u>2022/23 Spend</u>
Capital Receipts	£0.807m
Revenue Contribution	£1.351m
Capital Grants and Contributions	£8.419m
S106 Agreements	£1.974m
Community Infrastructure Levy (CIL)	£3.395m
Leasing	£1.167m
Internal Borrowing against Reserves & Other cash-backed balances	£16.140m
Total	£33.253m

6. Conclusion

- 6.1 The total cost of the Capital Schemes is forecast to be a net £0.183m more than the latest approved budget. There are risks associated with the forecast budgets which are detailed in paragraph 3.5.
- 6.2 A report on the Chelmer Waterside project will be taken to Council in July. The forecast budgets shown in **Appendix 1** do not include any increase for this scheme which is likely to be a significant increase in cost.
- 6.3 There are some large schemes which have not been delivered against the originally agreed milestones due to circumstances outside the control of the project officers.
- 6.4 The net underspend on Capital Schemes in 2022/23, £37.796m, has reduced the requirement to identify capital resources for the funding of the programme and is beneficial to the Council in terms of cashflow and financing as it has reduced the requirement for internal borrowing in this financial year. Some of the delays in spend will have impacted on income generation, savings and delivery of corporate priorities which will now be realised in later years.
- 6.5 There is a £0.076m net increase to the 2022/23 Asset Replacement Schemes. £0.252m is due to increases in scheme cost which arises mainly as a result of an increased spend on Housing Standards Grants and Loans which are funded from the Disabled Facility Grant. £0.176m has been moved forward into 2023/24. The realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources.
- 6.6 The 2023/24 Asset Replacement Schemes are forecast to be £0.222m more than the latest approved budget. The majority of this is due to the realignment of budgets from 2022/23, an additional £176k.
- 6.7 The resourcing of the capital expenditure in 2022/23 is showing a requirement to internally borrow £16.14m. The cost of borrowing will be shown in a Budget update report which will be taken to Cabinet in the Autumn.
- 6.8 Approval is sought for the capital and replacement programme cost changes identified in the recommendations.

List of appendices:

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

Appendix 2 Capital Schemes Major Variations Narratives.

Appendix 3 Asset Replacement Schemes for 2022/23, a comparison of the budgeted expenditure against the Outturn.

Appendix 4 Asset Replacement Schemes for 2023/24, a comparison of the budgeted expenditure against the Directors of Service forecast.

Appendix 5 Asset Replacement Schemes Major Variations Narratives for the years 2022/23 and 2023/24.

Appendix 6 Capital Scheme Slippage

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

None.

Financial:

As noted in the report.

Contribution toward achieving a net zero carbon position by 2030:

A number of schemes contribute towards this goal.

Personnel:

None.

Risk Management:

Interest earnings understated and budget reductions made when not necessary.

Equality and Diversity:

None.

Health and Safety:

None.

Digital:

None.

Other:

None.

Consultees:

All Services, Audit & Risk Committee

Relevant Policies and Strategies:

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

Medium-Term Financial Strategy

Capital, Treasury and Investment Strategies

APPENDIX I									
		CAPITAL SCHEMES			VARIATION IN TOTAL CAPITAL SCHEME COSTS				
		Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Expenditure to 31/03/2023		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			
	Active Chelmsford								
22	1 Riverside Elevations	2,000		2,000		2,000		Under Review	£2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme.
	2 Dovedales - Grant for Works	28	-2	26		26		Deferred	Approved at Council February 2020 and programmed for 2020/21. To be reviewed with potential refurbishment scheme in 2024/25.
46	3 Dovedales Sports Centre Refurbishment	1,464		1,464		1,464		Scheme to be developed	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 Active Chelmsford.
73	4 Chelmsford Sports and Athletics Centre - Outdoor Track and External Upgrades	350		350		350		Yes	£350k approved at Cabinet October 2022. To be funded from £300k S106.
	5 Chelmsford Sports and Athletics Centre - Gym Improvements	168		168		168	NEW	Yes	Approved by Council February 2023. Delegated authority to Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Active Chelmsford.
	6 South Woodham Ferrers Pool Works and Plant	275		275		275	NEW	Yes	Approved at Council February 2023. Scheduled for 2024/25.
7	7 S106 Forever Active			0	7	7		Completed	S106 Grant to NHS to meet conditions of agreement.
72	8 Hylands' Outdoor Wedding Ceremony Area	75		75	-3	72		Completed	Approved supplementary estimate June 2021 £75k
	9 Hylands House Stable Block Toilets	44		44		44		Agreed to Defer to 2023/24	Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24
152	10 Hylands House Basement Toilet	150		150	2	152		Completed	Approved Council February 2022. Delegated authority to Director to spend within the approved budget.
	Connected Chelmsford								
3,133	11 Theatres' Modernisation	1,000	2,246	3,246		3,246		Main works complete - ongoing snagging and final account to be agreed	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.
11	12 Museum Roof Access Works Health and Safety	11		11		11		Yes	Approved Council February 2022. Delegated authority to the director to spend within the approved budget.
	13 Oaklands Museum Staff Room and Kitchen Refit	24		24		24	NEW	Yes	Approved by Council February 2023 and scheduled for 2024/25
	Fairer Chelmsford								
161	14 Land Development Site Investigations	365		365		365		Programme of works to be determined	Approved Cabinet November 2021.
561	15 40 Sites' Disposal Costs	612	120	732	135	867			Approved Council February 2022. Delegated authority to the director to spend within the approved budget. Additional budget approved £120k February 2023 Council.

Net Expenditure to 31/03/2023 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
2,577	16 Enabling Lockside Growth Area	450	5,506	5,956		5,956	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.
1,592	17 Galleywood Hall Development Industrial Units	1,200	650	1,850	-218	1,632	Main Works completed	Approved at Council February 2019. Following a reassessment of the budget £400k was removed. Additional £200k was approved November 2021 due to rising prices of materials and construction. An additional £850k was approved by Council February 2022.
	18 Land Acquisition Cemetery/Crematorium	1,800	4,200	6,000		6,000	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council.
	19 High Chelmer Roof	1,500		1,500		1,500	Awaiting Proposal	Approved at Council February 2020 and programmed for 2021/22. These works have now been programmed to commence in 2026/27.
962	20 Refurbishment of Commercially Leased Properties	720	1,480	2,200		2,200	No	Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021. Additional £1.1m agreed at Cabinet October 2022. Urgency approved November 2022.
6,629	21 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisiton 20 x Houses	8,200		8,200		8,200	No	Approved at Council February 2022 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.
	22 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Modular Units	3,510		3,510		3,510	Business Case to be Developed	Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Provision modular units.
515	23 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Hostel Expansion	325	190	515		515	Completed	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2023/24. £150k approved by Cabinet June 2022 for increased cost of works to Hostel expansion. Additional £40k approved for Hostel expansion Cabinet November 2022.
142	24 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Development	1,900	0	1,900		1,900	Business Cases to be Developed	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2024/25. Provision for development Railway Street.
	25 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	2,000		2,000		2,000	Business Cases to be Developed	Approved at Council February 2020. Delegated authority to Cabinet.
	26 Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643		1,643		1,643	Business Case to be Developed	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.
1,890	27 Drakes' Lane Travellers Site	1,950		1,950	-60	1,890	Completed	Approved by Urgency March 2021.
	28 Strategic Property Purchase	3,590	-3,590	0		0	Withdrawn	Approved at July 2022 Council meeting. Removed November Cabinet 2022.
4,203	29 Property Purchase Housing Initiatives	4,315		4,315	-112	4,203	Completed	Approved by Urgency November 2022 acquisition of property for temporary accommodation.

Net Expenditure to 31/03/2023 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
	30 Cemetery and Crematorium Infrastructure	6,800		6,800		6,800	Business Case to be Developed	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.
	31 Cemetery Toilet Refurbishment	86		86		86	No agreed to defer to 2023/24	Approved at Council February 2022. Delegated authority to Director to spend within approved budget.
	32 Cemetery Lining of Foul Water Drain	29		29		29	NEW Yes	Approved at Council February 2023. Scheduled for 2023/24.
	33 Crematorium Office Pyramid Roof	18		18		18	NEW Yes	Approved at Council February 2023. Scheduled for 2023/24.
	34 Civic Offices Improvement Programme	460		460		460	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.
145	35 Community Flood Improvements	184		184		184	Works Completed Monitoring to continue	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.
	36 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.
	37 Chancellor Park Pavilion Works	46		46		46	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2023/24.
100	38 Chelmer Park Pavilion Roof	148	-50	98	2	100	Completed	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget. Budget reduced November Cabinet 2022.
	39 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.
96	40 Beaulieu Park Conversion Tarmac Court to 3G Pitch and Flood lights	90	6	96		96	Completed	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
	41 Oaklands Park Upgrade Tennis Courts	91	86	177		177	No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget. Additional £86k budget approved February Council 2023 funded by contribution. Scheme has been amended from MUGA to upgraded tennis courts.
69	42 Central Park Lake Edge Works S106	62	7	69		69	Completed	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
	43 Rivers and Waterways Improvements	600	-107	493		493	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.
46	44 Automatic Floodgates and Provision of Locks - Feasibility		107	107		107	No	Budget approved September 2020 Cabinet. Budget wired from Rivers and Waterways Improvements.
70	45 Mass Tree planting and Woodland Creation	4,400	-69	4,331	-55	4,276	Reviewed Annually	Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places and the S151 Officer and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22. Now pushed out to 2029/30.
46	Green Initiatives Phase 1	500	-102	398		398	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 wired towards cost of electric vehicle - approved February 2023.

		Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Expenditure to 31/03/2023		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			
	47 Green Initiatives Fund Phase 2	6,500		6,500		6,500	NEW	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.
9	48 CIL Landscape Enhancement Scheme Chignal Road	11		11		11		Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.
9	49 CIL Parks and Open Space	6	3	9		9		Completed	£6k CIL funding approved July 2019 for Coronation Park Basketball Court. £10k additional budget approved supplementary estimate. Location also changed to Lionmede Park.
533	50 Chelmsford Indoor Market Refurbishment	500	100	600		600		Indoor works completed, outdoor works progressing	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.
	51 Retail Market Drainage Improvements	31		31		31		Yes	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.
	52 Retail Market Traders' Conveniences Remodelling	102		102		102	NEW	Yes	Approved Council February 2023. Scheduled for 2023/24.
94	53 Market Road Toilet Roof	101		101	-6	95		Completed	Approved by Council February 2022. Delegated authority to the director to spend within the approved budget.
	54 Market Road Conveniences Accessibility	20		20		20	NEW	Yes	Approved by Council February 2023. Scheduled for 2023/24.
	55 Public Convenience Refurbishment - Admirals and Cent	168		168		168	NEW	Yes	Approved by Council February 2023. Two year programme scheduled to commence 2023/24.
	56 Freighter House Depot. Resurfacing Works	216		216		216	NEW	Yes	Approved at Council February 2023. Five year programme scheduled to commence 2024/25.
	Growing Chelmsford								
103	57 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. 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 Environment Agency.
32	58 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.
4,388	59 Public Realm Tindal Square Design and Construction	160	4,163	4,323	65	4,388		Completed - final account for works still to be 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.
5	60 Chelmer Waterside Infrastructure - CCC Budget		250	250		250		No	Virement allocated for design works.
7,217	61 Chelmer Waterside Infrastructure (HIF) - Grant Funded	15,500	11,470	26,970		26,970		No	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11.1m budget to be funded by £5.05m Community Infrastructure Levy (CIL), £1.1m S106 and £2.85m additional Housing Infrastructure Fund (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.

Net Expenditure to 31/03/2023	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
		Original Approved Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget			
£000s		£000s	£000s	£000s	£000s	£000s			
1,461	62 S106 Beaulieu Park Station	100	1,550	1,650		1,650	Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.	
2,865	63 S106 Beaulieu Park Station 2nd Phase	2,917	514	3,431		3,431	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.	
24	64 S106 Stonebridge Illuminations	37	6	43		43	No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.	
2	65 S106 River Can Pathway Lighting Design	10	6	16		16	No	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k.	
45	66 S106 Public Art Channels	21	79	100		100	No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021.	
60	67 S106 Strategic Borough Sport			0	60	60	Completed	Agreement with Runwell Sports and Social Club to make grant for costs incurred.	
81	68 S106 Community Other Facilities			0	81	81	Completed	Agreement with NHS to undertake work to meet S106 Contribution conditions.	
	69 CIL Sutherland Lodge Refurbishment	525		525		525	Business case Currently being reviewed	Approved Council July 2017.	
	70 CIL St Andrew's Scout Hut Building	80		80		80	Dependent on Third party - Late delivery	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019.	
62	71 CIL Integrated Cycling Infrastructure Grant	100		100		100	No	CIL funding approved at meeting of the CIL Panel 23/1/2020.	
	72 CIL Trinity Road School Improvements	950		950		950	Dependent on Third party	Approved at Council February 2021	
97	73 CIL Road Improvements Main Road Hospital Approach Grant to ECC	97		97		97	Completed	CIL funding approved January 2019. Spend approved Council February 2022	
	74 CIL Grant Chelmsford Society Model Engineers	5		5		5	No - dependent on Third party	CIL funding approved December 2021. Spend approved Council February 2022.	
17	75 CIL Green Initiatives - Various Schemes	15	13	28	4	32	No - dependent on Third party	£100k CIL funding approved December 2021 for green initiatives grant funding. Spend approved Council February 2022. £100k pot is drawdown following approval of applications for funding.	
	76 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.	
	77 CIL Army and Navy Contribution to ECC	4,000		4,000		4,000	Dependent on Third party	Approved Council July 2022	
	78 CIL ECC East Chelmsford Cycling and Walking Connectivity	1,500		1,500		1,500	Dependent on Third party	Approved Council July 2022	
20	79 UK Shared Prosperity Fund - Various Grant Funded Schemes	346		346		346	NEW	Yes	Approved by Council February 2023. Three year funded programme commenced 2022/23.
	80 Rural England Prosperity Fund- Supporting Businesses and Communities	400		400		400	NEW	Yes	Approved by Council February 2023. Two year funded programme commencing in 2023/24.
	81 Garden Communities Infrastructure Fund			0	290	290	Dependent on Third parties	Various schemes will be grant funded	
6	82 Townfield Street Car Park Barrier Strengthening	15		15	-9	6	Completed	Approved February 2022 Council	
	83 High Chelmer Car Park Lifts	355		355		355	NEW	Yes	Approved by Council February 2023. Scheduled for 2025/26.
	84 High Chelmer car Park Waterproofing Levels 11,12,13	500		500		500	NEW	Yes	Approved by Council February 2023. Scheduled for 2025/26.
40,404	Grand Total	95,044	28,832	123,876	183	124,059			

APPENDIX 2

Capital Schemes - Reasons for Projected Variations to Latest Approved Total Scheme Costs More Than £25,000

	Scheme Description	Latest Approved Budget £000's	Latest Estimated Expenditure - If Additional Budget Requires Approval £000's	Variation £000's	Variation Type	Percentage Change in Scheme Cost	Reason
	Fairer Chelmsford						
15	Various Land Site Disposal Costs	732	867	135	Increase in budget	18.44%	The service plans to undertake more surveys and investigations than previously estimated in order to be in a position to bring the sites forward for planning permission with a view that some of the sites may be considered for development rather than disposal. Additional sites have also been included.
17	Galleywood Hall Development Industrial Units	1,850	1,632	-218	Reduction in budget	-11.78%	Majority of scheme completed. Only minor external works are outstanding. The Project Manager is reporting an underspend.
27	Drakes' Lane Travellers Site	1,950	1,890	-60	Reduction in budget	-3.08%	Scheme complete underspend reported
29	Property Purchases Housing Initiatives	4,315	4,203	-112	Reduction in budget	-2.60%	Property acquired and following negotiations original purchase price reduced.
	Greener and Safer Chelmsford						
45	Mass Tree Planting	4,331	4,276	-55	Reduction in budget	-1.27%	Although this is being reported as a variation to the capital budget, this spend was incurred and has been transferred to revenue as it did not qualify as a capital spend. Appropriate revenue resources have been allowed for to fund this cost in financial planning.
	Growing Chelmsford						
59	Public Realm Tindal Square	4,323	4,388	65	Increase in budget	1.50%	The scheme is now complete and the outturn reflects the current estimated cost of the scheme. The final account has still not been agreed with the contractor and once this is settled there may be a further increase to the final cost.
67	S106 Strategic Borough Sport	0	60	60	Increase in budget Funded	100.00%	Grant paid over funded from S106 contributions. Agreement with Runwell Sports and Social Club to make grant for costs incurred for the development of Sports facility.
68	S106 Community Other Facilities	0	81	81	Increase in budget Funded	100.00%	Grant paid over funded from S106 contributions. Agreement with NHS to undertake work to meet S106 conditions.
81	Garden Communities Infrastructure Fund	0	290	290	Increase in budget Funded	100.00%	Grant received an allocated for various schemes. Originally treated as revenue grant but now transferred to capital.

APPENDIX 3

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME

2022/23

2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO LATEST FORECAST

VARIATION FROM 2022/23 BUDGET ONLY

Net Expenditure to 31/03/2023	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2022/23	Additional/ Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2022/23	Analysis of Variations			Net Variance for 2022/23 Additional Cost	Total Outturn 2022/23
						Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets		
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	
	Active Chelmsford									
4	1 Dovedales Replacement Equipment	11	-8	PH, PV	3			1	4	
	2 Riverside Replacement Equipment	43	-43	PH	0			0	0	
	3 Riverside Plant	2	-2	PH	0			0	0	
	4 CSAC Replacement Equipment	53	-53	PH	0			0	0	
	5 CSAC Expansion Fitness Room Equipment				0			0	0	
60	6 CSAC Floodlights	60			60			0	60	
4	7 CSAC Plant	21	-6	PH	15	-11		-11	4	
53	8 SWFLC Replacement Programme	63	-10	PH	53			0	53	
9	9 SWFLC Plant Replacement	8	1	PV	9			0	9	
18	10 SWF 3G Pitch	20	-2	PH	18			0	18	
8	11 Hylands House Fire Alarm	15	-1		14	-6		-6	8	
	12 Hylands House - Lift				0			0	0	
	13 Hylands House Basement Pumps				0			0	0	
	14 Hylands Pavilion Skins and Linings	60	-60	PH	0			0	0	
15	15 Hylands Pavilion Equipment	15	1		16	-1		-1	15	
	Connected Chelmsford									
16	16 Digital Services Replacement Programme	234	-216	PH, U, RD	18			-2	16	
	17 Digital Helpdesk System Replacement	25	-25	U	0			0	0	
87	18 Website Upgrade	98	-11	PH	87			0	87	
	19 Investment in Digital Technology	300	-150	PH	150	-150		-150	0	
47	20 Theatres' Equipment	45	1	PV	46			1	47	
6	21 Museum Equipment and Vehicles	6	1	PV	7			-1	6	
	22 Museum Platform Lift				0			0	0	
	Fairer Chelmsford									

Net Expenditure to 31/03/2023	CAPITAL ASSET REPLACEMENT PROGRAMME				Original Approved Estimates for 2022/23	Additional/Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2022/23	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Net Variance for 2022/23 Additional Cost	Total Outturn 2022/23
£000's	SCHEME DESCRIPTION				£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	No Schemes							0				0	0
	Greener and Safer Chelmsford												
2	23	CCTV Replacement Equipment		10	-7	PH	3				-1	-1	2
	24	CCTV Various Schemes Sites CIL		3	-3	PH	0					0	0
2	25	CCTV Safer Streets Bunny Walks		3	-1		2					0	2
18	26	Street Lighting Safer Streets Bunny Walks		20	-2		18					0	18
12	27	CCTV Home Office GRIP Funded		0			0			12		12	12
41	28	Crematorium Equipment		84	-62	PH, PV	22	19				19	41
	29	Crematorium Columbarium		0			0					0	0
1	30	Civic Centre Heating		33	-32	PH	1					0	1
37	31	Civic Centre Server Room Air Conditioning		40			40	-3				-3	37
	32	Civic Centre Floor Replacements		31	-31	PH	0					0	0
	33	Print and Post Room Replacement Equip.		3			3				-3	-3	0
	34	Street Lighting and upgrade to LED		21	-21	PH	0					0	0
4	35	CIL Street Lighting Meadows Car Park		5	-1		4					0	4
	36	Travel pool Cars		0			0					0	0
337	37	Play Area Replacements		346	7	PV	353	-1			-15	-16	337
	38	Sports Equipment, floodlights, Irrigation		0	13	SEN	13				-13	-13	0
1	39	Hylands Car Park Machines and CCTV		5	-4		1					0	1
14	40	Parks Replacement Vehicles and Equipment		547	-533	PH	14					0	14
12	41	Waterhouse Lane Depot Heating		10	5		15	-3				-3	12
	42	PHPS Vehicles and Electric Chargers		0			0					0	0
10	43	PHPS Air Monitoring Equipment		80	-80	PH	0	10				10	10
2	44	Scootas for the Disabled		0	2	SEN	2					0	2
6	45	Retail Market Equipment		0	6	SEN	6					0	6
	46	Retail Market Plant					0					0	0
	47	Depot Telescopic Front loader					0					0	0
	48	Public Convenience Van		25	-25		0					0	0
185	49	Street Cleansing Vehicles		580	-394	PH	186				-1	-1	185
	50	Street Cleansing Dog Litter van		0			0					0	0
	51	Wet Team Equipment		11	-11	PH	0					0	0
	52	Hit Squad Replacements		43	-43	PH	0					0	0
249	53	Refuse Vehicles		359	-110	PH, PV	249					0	249
	54	Vehicle Maintenance		13	-13	PH	0					0	0
951	55	Recycling Vehicles		969	-16	PV	953				-2	-2	951
	56	Recycling - Material Recycling Facility (MRF)			30	SEN	30	-30				-30	0

APPENDIX 4

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME

2023/24							
2023/24 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
2023/24 BUDGET							
CAPITAL ASSET REPLACEMENT PROGRAMME	Additional/ Reduced (-) Approved Budget	Reason for Change see key below	Latest Approved Estimate for 2023/24	Analysis of Variations		Net Variance for 2022/23 Additional Cost	Total Proposed Budget Requirement for 2023/24
				Re phasing from 2022/23 Budgets approved	More/Less(-) Than Approved Budgets -More Requires Approval		
SCHEME DESCRIPTION	£000s		£000s	£000s	£000s	£000s	£000s
Active Chelmsford							
1 Dovedales Replacement Equipment			17			0	17
2 Riverside Replacement Equipment			145			0	145
3 Riverside Plant			61			0	61
4 CSAC Replacement Equipment			64			0	64
5 CSAC Expansion Fitness Room Equipment			105			0	105
6 CSAC Floodlights			0			0	0
7 CSAC Plant			25	11		11	36
8 SWFLC Replacement Programme			20			0	20
9 SWFLC Plant Replacement			19			0	19
10 SWF 3G Pitch			0			0	0
11 Hylands House Fire Alarm			0	6		6	6
12 Hylands House - Lift			20			0	20
13 Hylands House Basement Pumps			11			0	11
14 Hylands Pavilion Skins and Linings			73			0	73
15 Hylands pavilion Equipment			19	1		1	20
Connected Chelmsford							
16 Digital Services Replacement Programme			995			0	995
17 Digital Helpdesk System Replacement			0			0	0

		2023/24 BUDGET								
						Analysis of Variations				
CAPITAL ASSET REPLACEMENT PROGRAMME		Additional/ Reduced (-) Approved Budget	Reason for Change see key below	Latest Approved Estimate for 2023/24	Re phasing from 2022/23 Budgets approved	More/Less(-) Than Approved Budgets -More Requires Approval	Net Variance for 2022/23 Additional Cost	Total Proposed Budget Requirement for 2023/24		
SCHEME DESCRIPTION		£000s		£000s	£000s	£000s	£000s	£000s	£000s	
18	Website Upgrade			11			0	11		
19	Investment in Digital Technology	60	PH	210	150		150	360		
20	Theatres' Equipment			0			0	0		
21	Museum Equipment and Vehicles			2			0	2		
22	Museum Platform Lift			12			0	12		
<u>Fairer Chelmsford</u>										
	No Schemes			0			0	0		
<u>Greener and Safer Chelmsford</u>										
23	CCTV Replacement Equipment			26			0	26		
24	CCTV Various Schemes Sites CIL			3			0	3		
25	CCTV Safer Streets Bunny Walks			0			0	0		
26	Street Lighting Safer Streets Bunny Walks			0			0	0		
27	CCTV Home Office GRIP Funded						0			
28	Crematorium Equipment			84	-19		-19	65		
29	Crematorium Columbarium			14			0	14		
30	Civic Centre Heating			0			0	0		
31	Civic Centre Server Room Air Conditioning			0	3		3	3		
32	Civic Centre Floor Replacements			31			0	31		
33	Print and Post Room Replacement Equip.			0			0	0		
34	Street Lighting and upgrade to LED			0			0	0		
35	CIL Street Lighting Meadows Car Park			0			0	0		
36	Travel pool Cars			0			0	0		
37	Play Area Replacements			0	1		1	1		
38	Sports Equipment, floodlights, Irrigation			16			0	16		
39	Hylands Car Park Machines and CCTV			0			0	0		
40	Parks Replacement Vehicles and Equipment	36	PV	770		5	5	775		

		2023/24 BUDGET						
		Analysis of Variations						
CAPITAL ASSET REPLACEMENT PROGRAMME		Additional/ Reduced (-) Approved Budget	Reason for Change see key below	Latest Approved Estimate for 2023/24	Re phasing from 2022/23 Budgets approved	More/Less(-) Than Approved Budgets -More Requires Approval	Net Variance for 2022/23 Additional Cost	Total Proposed Budget Requirement for 2023/24
SCHEME DESCRIPTION		£000s		£000s	£000s	£000s	£000s	£000s
41	Waterhouse Lane Depot Heating			0	3		3	3
42	PHPS Vehicles and Electric Chargers			0			0	0
43	PHPS Air Monitoring Equipment			80	-10		-10	70
44	Scootas for the Disabled			0			0	0
45	Retail Market Equipment			6			0	6
46	Retail Market Plant			13			0	13
47	Depot Telescopic Front loader			70			0	70
48	Public Convenience Van						0	
49	Street Cleansing Vehicles			545		20	20	565
50	Street Cleansing Dog Litter van			0			0	0
51	Wet Team Equipment			51			0	51
52	Hit Squad Replacements			47			0	47
53	Refuse Vehicles			495		21	21	516
54	Vehicle Maintenance			53			0	53
55	Recycling Vehicles			100			0	100
56	Recycling - Material Recycling Facility (MRF)			0			0	0
57	Food Vehicles			0	30		30	30
58	Service Development Van			0			0	0
59	Provision for Replacement with Electric Vehicles			170			0	170
60	Healthy Home Loans			0			0	0
61	Discretionary Loans DFG Funded			0			0	0
62	Remaining Independent Assistance (RIA) Loans DFG Funded			0			0	0
63	Remaining Independent Assistance (RIA) Grants DFG Funded			0			0	0
64	Disabled Facility Grants (DFG) Funded			600			0	600
65	Housing Standards			0			0	0
66	PLACE - Funding for Renovation/Refurbishment of Empty Homes			0			0	0

		2023/24 BUDGET						
		Analysis of Variations						
CAPITAL ASSET REPLACEMENT PROGRAMME		Additional/ Reduced (-) Approved Budget	Reason for Change see key below	Latest Approved Estimate for 2023/24	Re phasing from 2022/23 Budgets approved	More/Less(-) Than Approved Budgets -More Requires Approval	Net Variance for 2022/23 Additional Cost	Total Proposed Budget Requirement for 2023/24
SCHEME DESCRIPTION		£000s		£000s	£000s	£000s	£000s	£000s
Growing Chelmsford								
67	Car Park LED Lighting			8			0	8
68	Car Park Vehicles and Equipment			22			0	22
Totals		96		5,013	176	46	222	5,235
					222			
		Approved Changes to Budgets 2023/24					Analysis of Projected Variations	
		£000's					£000's	
		0	PH	Rephasing of Schemes from 2022/23			176	
		60	PH	Rephasing of Schemes to Later Years			0	
		36	PV	Price variations Increases Require Approval			46	
		0	PV	Price variations Decreases			0	
		0	RD	Reduced Demand			0	
		0	SEN	Supplementary Estimates New Require Approval			0	
		0	SEG	Supplementary Estimates Funded New Require Approv			0	
		0	U	Removed to be Funded from Revenue			0	
		0	V	Virement			0	
		96					222	

APPENDIX 5							
Reasons for Variations Greater Than £25,000 in Asset Replacement Programme							
	Scheme Description	Latest Approved Budget	Estimated Budget Required	Variation	Variation Type	Percentage Change	Reason
		£000's	£000's	£000's			
	<u>2022/23</u>						
	<u>Connected Chelmsford</u>						
19	Investment in Digital Technology	150	0	-150	Rephasing of spend to 2023/24	-100.00%	Budgets have been deferred to 2023/24 as business cases still being finalised by Digital Portfolio Office (DPO) and some proposals have been funded from revenue.
	<u>Greener and Safer Chelmsford</u>						
56	Recycling - Material Recycling Facility (MRF)	30	0	-30	Rephasing of spend to 2023/24	-100.00%	Replacements have been deferred to 2023/24 as works scheduled for April 2023.
64	Disabled Facility Grants	600	854	254	Increase spend Fully Funded by grant	42.33%	Additional Spend incurred that is fully funded by grant. Demand and processing of grant applications.
	<u>2023/24</u>						
	<u>Connected Chelmsford</u>						
19	Investment in Digital Technology - DPO	0	150	150	Rephasing of spend from 2023/24	100.00%	See above
	<u>Greener and Safer Chelmsford</u>						
53	Refuse Vehicles	495	516	21	Increase in cost	4.24%	Due to inflation price increases.
56	Recycling - Material Recycling Facility (MRF)	0	30	30	Rephasing of spend from 2022/23	100.00%	See above

Appendix 6

Capital Schemes 2022/23 Actual Spend Compared to Original Forecast Spend

		£m's
Original Forecast Budget 2022/23		67.076
Schemes		
Changes to Budget		
Scheme 28 Strategic Property Purchase – the purchase did not proceed and the budget was removed.	Budget Removed	-3.590
Scheme 29 Property Purchase Housing Initiatives – new budget approved for purchase for temporary accommodation	New Budget	4.315
Other net variations below £1.5m on individual schemes cost increases	Increased budgets	1.486
Sub Total		2.211
Deferred Schemes		
Scheme 1 -Riverside Elevations spend deferred to 2026/27. This is linked to the future development of the Riverside Site.	Deferred Pending Decision	-1.978
Scheme 16 Enabling Lockside Growth Area – The spend on this scheme is dependent upon complex negotiations with third parties to acquire the properties and this has caused delays to the progress of the scheme. The budgets have been deferred to 2023/24.	Delayed - Third Party	-3.379
Scheme 18 Acquisition Cemetery Land – Suitable site has not been identified. The budget will be required as soon as a suitable site is identified.	Deferred pending Identification of Suitable Site	-6.000
Schemes 21 Housing Initiatives – Acquisition of houses for temporary accommodation - remaining balance £1.571m rephased to 2023/24. The budget was originally set to purchase 20 properties. 17 Properties have been acquired. With increasing property prices the viability of using this option as temporary accommodation compared to other delivery options needs to be reviewed.	Deferred pending Housing Review	-1.571
Scheme 22 Housing Initiatives - Railway Street development £1.758m – viability of scheme under review and investigating alternative solutions.	Deferred pending Housing Review	-1.758
Scheme 23 Housing Initiatives - Modular Units £3.510m – following feasibility study no suitable sites have been identified. The budget has currently been deferred to a later year and alternative Temporary Accommodation options will be reviewed.	Deferred pending Housing Review	-3.510
Scheme 24 Housing Initiatives - Exceptions Sites £2m rephased to 2023/24. Site identified for purchase but delay due to finalising agreement with land owner.	Delayed third party	-2.000
Scheme 61 – Chelmer Waterside Infrastructure - The scheme is not scheduled to complete until September 2024 and construction of the road and bridge did not commence in 2022/23 as previously planned. We are still awaiting final costs and a report is being taken to July Council which will include updated milestones for the project.	Delayed - complex scheme	-11.948
Schemes 69–75 Various CIL Grants to third parties - spend dependent upon third parties. The budgets have been deferred to 2023/24.	Delayed - Third Party	-1.608
Scheme 76 CIL NE Bypass Bridge Forward Funding ECC - This has been deferred to 2023/24 as awaiting agreement from ECC.	Delayed -Third Party	-1.500
Other net variations below £1.5m on individual schemes spend deferred.	Delayed	-4.755
Sub Total Deferred Schemes		-40.007
Total In Year Underspend Against Original Forecast Spend		-37.796
Outturn 2022/23		29.280



Chelmsford City Council Cabinet

6th July 2023

Budget Framework Medium-Term Financial Strategy 2024/25

Report by:

Cabinet Member for Fairer Chelmsford

Officer Contact:

Phil Reeves, Accountancy Services Manager Section 151, Phil.reeves@chelmsford.gov.uk, 01245 606562

Purpose

The purpose of this report is to provide a framework to manage the Council's 2024/25 budget and update the financial strategy.

Options

1. Agree to the Budget Framework Medium-Term Financial Strategy, or
2. Propose other amendments to the Framework

Preferred option and reasons

Approve the framework as it enables a flexible response to the risks the Council faces

Recommendations

- 1) That Cabinet approves
 - I) The carry forward of budgets of £146k from 2022/23 for audit costs and initiatives which were delayed, as detailed in Appendix 4.
 - II) That a financial forecast of both revenue and capital is to be reported to Cabinet in the Autumn as part of the process to produce a balanced 2024/25 budget.
2. That Cabinet recommend to Council:
 - I) To approve the Actions in Appendix 3 as the basis of financial management
 - II) Council notes Financial Risks and Potential Upsides (Appendix 1)
 - III) To approve the approach to reserves in Appendix 2 of the report
 - IV) To approve the budget guidelines in Appendix 4

1. Introduction

The budget process is a financial framework to support delivery of the Council's priorities as set out in "Our Chelmsford; Our Plan".

The Cabinet and Council annually receive a Medium-Term Financial Strategy (MTFS). This year the strategy will be split into two documents. This report is the first of those documents which contains recommendations on the framework to manage the Council's finances for the next five years, including the process to set a balanced budget for 2024/25. The second document will be a report made in the autumn to Cabinet which will forecast the revenue and capital budgets. This is expected to identify a significant revenue budget shortfall, however there are items which might improve the previously forecast position (£3.5m shortfall) reported to February Council, which are discussed in this report.

The Audit and Risk *committee* on the 21st June received a provisional revenue outturn report for 2022/23:

- Net expenditure and income for services was higher than the approved budget. Reviews of the outturn by Accountancy suggest many of the variations in 2022/23 outturn have already been allowed for in the 2023/24 budget as they had identified in financial monitoring in 2022/23.
- Income from non-service areas from interest and business rates was significantly above the original budget. The higher than budgeted income in 2022/23 reflects a very cautious approach to estimating for this income in previous years. It is likely the ongoing budget for Business rate retention can be increased significantly. This is discussed further, in Appendix 1 and Appendix 2.
- The outturn variances. The Section 151 statement on the Budget made at February 2022 Council identified that COVID driven circumstances and inflation made estimate setting less certain. This could only be mitigated by an appropriate level of reserves/contingency to cover these risks.
- Higher amounts of unearmarked reserves than planned. This is dependent on final sign off by HMRC of the Council VAT refund claim of £5.3m.
- A carry forward for unspent budgets £146k is sought, as detailed in Appendix 4.

2. Executive Summary

Revenue and Capital Forecasts

In February, the Council approved the budget for 2023/24. The report also included a forecast £3.5m shortfall for 2024/25. Officers are in the process of updating financial forecasts which have not been included in this report but will follow in the Autumn. Based on what is currently known, the deficit for 2024/25 is still expected to be significant.

Uncertain (large) Factors:

There are several key items where uncertainty may be reduced over the coming months but, currently, they represent major threats and opportunities to the financial position. The budget process must manage these risks.

The key unfavourable items are:

- Staff pay award for 2023/24
- Homelessness services where demand and service provision are being reviewed
- Higher costs caused by inflation

Significantly, there could be three large favourable improvements to the budget being:

- Energy cost volatility and uncertainty
- Business rate retention; and
- An expected government levy on packaging producers (extended producer responsibilities) which will be shared amongst councils nationally.

The budget process, as usual, must provide flexibility to deal with the deficit, potential upsides and downsides.

The revenue budget will as always be impacted by the financing needed to fund the capital programme. The largest scheme, Waterside, is being reviewed at July Council. The costs for that need to be fully reflected in the Autumn revenue budget forecast and the revised timing and costs of other schemes will also be updated.

Reserves

The Council's reserves are estimated at higher levels than planned, mostly because of the expected income from the VAT Leisure case refund.

The allocation of reserves to their proposed use will be resolved in the 2024/25 budget. This report contains guidelines/principles to manage that process.

The report identifies principles, reflecting that some significant cost pressures and loss of income may be temporary. The reserves should be reviewed and new reserves established to fund the specific pressures identified. If the reserves are insufficient, budget reductions will need to be found to meet the extra costs.

The Government has collected data on local authorities reserves and recently published it. Though the S151 Officer has recommended an appropriate level in the past, it should be noted that the Council's reserves were below the median average identified by Government for other district Councils. This matter will be considered at part of the budget process.

The best financial strategy to manage large uncertainty and potential budget deficits (shortfalls) is to maintain flexibility of response and robust amounts of reserves.

An additional benefit of holding reserves is that they can be used to fund internal borrowing in the short run, reducing capital financing costs. A robust level of contingency reserves therefore benefits the local taxpayer.

Budget Next Steps (Actions)

The report identifies a list of existing ongoing actions in Appendix 3, but below are the key items:

- To enable production of a draft budget by Services, the report provides guidance in Appendix 4 on the assumptions to be used (budget guidelines).
- The Business Rate retention reserve should, if possible, be increased to hold an ongoing contingency sum (circa £2m). This is to alleviate the risk of building into the budget a higher level of business rate retention income. The S151 Officer will manage the process during 2023/24 budget monitoring, in consultation with the Cabinet Member for Finance.
- The S151 Officer develops a budget forecast for consideration by Cabinet in the Autumn.

Conclusion:

The Council continues to face considerable financial uncertainty due to:

- High inflation
- Government funding
- Homelessness; demand for housing

The budget process will be managed in line with the budget guidelines identified in this report and an updated forecast will be produced for Cabinet in the autumn.

Officers will start the 2024/25 budget using the guidelines set out in Appendix 4.

List of appendices:

Appendix 1: FINANCIAL RISKS AND POTENTIAL UPSIDES

Appendix 2: RESERVES

Appendix 3: ACTIONS MEDIUM-TERM FINANCIAL STRATEGY

Appendix 4: BUDGET GUIDELINES 2024/25

Background papers: None

Corporate Implications

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

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

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

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

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

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

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

Health and Safety: None

Digital: None

Other: None

Consultees:

Cabinet Members, Chief Executive and Directors, Monitoring Officer

Relevant Policies and Strategies:

Our Chelmsford: Our Plan

Capital and Investment Strategy 2023/24

APPENDIX 1**FINANCIAL RISKS AND POTENTIAL UPSIDES**

Though this report does not contain an updated financial forecast, there are some specific issues which have an impact on how the budget process needs to be managed. The following section provides a briefing on those issues. The budget framework (actions) and guidelines reflect these significant risks.

Adverse Risks yet to be robustly quantifiedStaff Pay Awards

Staff costs make up nearly 60% of total (non-benefit) expenditure by the council. As previously reported, over the last 10 years staff pay has increased on average by less than 2% a year. The 22/23 budget allowed for a 2.5% pay award. As a result of the high inflation, the average private sector pay increase was circa 7%. In 2022, the national pay award to local government staff was matched by the City Council and this was £1.5m above the budget (circa 6% increase overall pay cost).

In 2023/24, the budget allowed for the 2022/23 pay award and a further increase of 4%. The national increase being offered to staff for 2023/24 is broadly the same as last year, being the higher of £1,925 or 4%. If the council were to match this, it would add an additional £1m to the council's budget. It should be noted that the unions have rejected the national offer and it will be balloted upon in late summer. At the time of writing, a local, Chelmsford specific, offer has been made to the union and the ongoing part of the offer would be below the national award. Its ongoing cost would be almost £500k less per year than the national offer.

The 23/24 pay award is currently under negotiation with the objective of producing a fair reward to staff which must be balanced against affordability. The pay award must be sufficiently close to the national offer to ensure Chelmsford pay rates remain competitive. When known, the results of that pay offer will be built into the 2024/25 budgets.

A higher than budgeted pay award in 2023/24 will result in a large drawdown of reserves to meet the higher cost and any unconsolidated payment to staff. Given the cost and timing of the agreement, this is likely to be done under urgency powers.

For 2024/25, given recent experience, it is proposed to assume a 4% increase in staff costs. This assumption is arrived at by taking a view on the inflation outlook and Council affordability. For the years after, 3% is assumed to be the annual growth in pay cost, which is approximately double what was awarded per year in the previous decade.

Homelessness services

Coming out of the pandemic, with high levels of inflation and interest rates, has added to the demand for affordable housing. The result is a significant increase in the demand for temporary accommodation. In 2022/23 there was an increase in number of households in temporary accommodation of 81. The projections for 2023/24 and 2024/25 are currently being re-assessed but, indicatively, numbers could increase by between 60 to 160 in 2023/24 and by a further 70 to 130 in 2024/25. These figures need to be updated or confirmed during the budget process as they are still uncertain. The impact of the current projections would be financially significant, potentially adding over £1m to 2024/25 budget. A review of demand and service provision is being undertaken.

The forecasts could materially alter as the budget process progresses.

Inflation (excluding Energy and Pay)

Several spend classifications will need inflating for higher costs. The budget framework and guidelines will identify the initial assumptions (Appendix 4). The Accountancy team will, however, include within the budget proposals to Cabinet in January additional inflationary provision if believed necessary. For income from fees and charges, inflation will be planned for at 4%, but services will not be advised of this rate and will be expected to determine what is appropriate for their individual fees and charges.

Potentially Favourable Items

Energy Costs

The 23/24 budget contains £3.9m for energy costs of which £1.5m was funded from reserves. The budget set in January was based on the latest information from the Council's suppliers procured by Crown Commercial Services (CCS). The procurement contract did not fix prices for 2023/24 until the middle of May. The arrangements for future procurement of energy have changed in that the agreement allows CCS to purchase energy in tranches for the next 3 years to hopefully achieve greater stability and better value for money. The agreement still lacks any effective tools to enable officers to estimate/budget with any reasonable degree of accuracy.

The forecast of energy costs for 2024/25 reported to February Council assumed energy prices would stay at the 2023/24 original budgeted cost. The February report planned that instead of continuing to use £1.5m of reserves to support the budget in 2024/25, the reserve use would be reduced to £750k. The reduced use of reserves and frozen energy costs would effectively increase the budget gap by £750k in 2024/25.

The budget for 2023/24 for energy will be revised down in the Autumn. Current information suggests a saving of at least £700k a year, but further analysis of energy usage is needed. This saving will reduce the use of reserves in 2023/24. The earmarked reserve for energy is likely to be higher than originally forecast.

The budget assumption for 2024/25 will now be based on 2023/24 actual unit costs. The fall in energy prices is currently assumed to reduce our need to use reserves in 2024/25. Instead of using £750k, only £50k of reserves might be used to support the energy budget in 2024/25. This means that £750k (the balance of £1.5m) of energy would still become funded from ongoing sources. This assumption will be kept under continuous review, as one option is to use more reserves to fund energy costs on a temporary basis.

Should forecast prices rise from the 2023/24 levels, the reserve balance could be used to temporarily support the budget. The final decision will of course be made as part of the 2024/25 budget.

Business rate retention

This is a complex scheme designed by Government to allow local authorities to keep a larger share of business rate income. The scheme is difficult to operate from the Government's perspective as:

- interventions made to freeze or restrict business rate increases result in the Government having to compensate councils for their lost potential income,

- businesses have their rateable values reviewed every three years and transitional protections are put in place to protect businesses from large increases that can result.

Over the last few years, the Government has almost regularly stated it will reset the baselines against which the Council's income growth is measured and reform the scheme. This has not happened, and the Government has now made clear it will not review the scheme before the next general election.

For the City Council, budgeting for the appropriate amount of income has been challenging and a very cautious approach to estimating income has previously been taken. This reflects the two chief difficulties,

- the first; building more income into the budget when the Government has stated it wishes to reform the scheme would create a risk of loss of funding.
- the second and now only major difficulty is that the Council must assume in its estimates an allowance for losses as businesses appeal their valuations. These appeals can be across many years and significant in value. The City Council follows the advice of external advisors for setting the appeals provision. Over the last few years this provision has been found to be too high. Money set aside for appeals in previous years has not been needed and this money has been brought back into the revenue account (shared with Government) as gains. The 2023/24 financial year is likely to have significant windfall income from the appeals provision being reduced as it can take several years to be released under scheme rules. Previous windfalls from reducing the appeals provision have been helpful to reserve levels and offset adverse outturns for service expenditure and income.

The ongoing position for business rate retention income looks helpful financially. Additionally, changes made to the scheme at the time of the new valuations seem to have improved the baseline against which gains are measured from, working in the Council's favour.

Currently £0.5m of annual business rate retention is used to support ongoing expenditure, although indications suggest that another £1m a year is available. That may increase as more information regarding appeals is reviewed over this and next year. Given the nature of the scheme and that new valuations may drive appeals up, officers are not totally confident at this time of the extent of the gains. The recommended approach for the budget is to recognise more gain in the ongoing revenue budget in 2024/25. However, any windfall in 2023/24 (should it occur) will be set aside into the Business rate retention reserve to manage the financial risk of fluctuations in this income stream. The revenue monitoring reports for 2023/24 will therefore treat windfall gains from business rate retention as initially being used to create a contingency in the business rate retention reserve with a target of achieving a £2m contingency in the earmarked reserve.

Extended producer responsibilities (EPR)

EPR is the proposed government's levy on packaging producers with the income to be shared amongst councils in 2024/25 to enable increases in recycling. The Government is still developing the method to share the levy and the requirements to be placed on councils in return. Officers believe that currently the Council's recycling approach would be deemed by Government to be of a high standard potentially needing limited adjustment. The City should therefore expect a favourable funding allocation. Civil Servants have implied the funding allocations councils should expect will be large (no specific figures have been

shared with councils). Officers would therefore expect to put into the Council budget a net gain from the EPR.

There are difficulties with budgeting for net EPR income, being:

- Timing of the scheme details (including allocations). Initial details are reportedly to be supplied to councils in late August. Further refinement will take place all the way through to January 2024 (after the Council's budget has been agreed).
- DLUHC civil servants have made clear that funding allocated under EPR will impact on reviews of other funding streams, especially New Homes Bonus. The Council's budget allows for utilising all Government funding awarded under the Core Spending Power methodology reported to February Council. Within that, £0.94m comes from New Homes Bonus. The allocations of Core Spending Power will likely not be known until the week of Christmas. There is of course a chance of earlier indications from Government, but no certainty.
- There have been rumours in the press that the EPR scheme will be delayed to avoid any temporary inflationary consequences.

Officers would hope to include a net gain from EPR in the forecast budgets in the Autumn on the assumption Government provides some more detail on EPR over the summer. The Use of Unearmarked reserves will initially be used to manage the risks to the budget if the assumed EPR turns out to be materially incorrect.

VAT Position

The Council VAT refund has been included in the 2022/23 financial outturn as HMRC have confirmed it is payable. However, since HMRC have not confirmed the amount, there is a risk of upward or downward revision.

Capital Expenditure Impact and Risks

- 1 The impact of the current high levels of inflation on capital projects and replacement equipment costs means projects are at risk of overspending their initial budget. This would result in higher revenue budget financing costs in later years.
- 2 Waterside scheme. This will be reported to July Council and the recommendations will need to be included in the budgets for future years. There are two points that need to be highlighted arising from the scheme. Firstly, the size of the scheme exposes the Council to significant financial risks on financing and cost, which realistically is an adverse risk. The second but favourable risk is that only costs have been allowed for in previous financial planning as the development of a business case will follow later. The potential income or proceeds when quantified should reduce the projected budget gaps, most likely in the years after 2025/26.
- 3 Government has announced the potential replacement of CIL with an Infrastructure levy which could also remove Section 106 agreements for affordable housing. The proposals do not provide sufficient clarity to determine the impact of the changes. This could have a significant impact on capital financing and borrowing costs in the revenue budget. It is expected those changes will not happen until 2030.
- 4 The timing of new capital scheme proposals and capital disposals are always difficult to estimate. The forecast is therefore at risk of revision both in cost and funding.
- 5 The Council's revenue budget includes, as a statutory annual charge to fund the repayment of capital financing, a Minimum Revenue Provision (MRP). The cost of the MRP has been estimated in the forecast but:

- The programme expenditure could be delayed, so reducing the cost of the MRP

- The forecast of capital expenditure and funding has the risks identified above, so the MRP figures are likely to vary as the programme costs and funding are reviewed.
- The MRP costs will rise over the forecast as greater use of borrowing to fund the capital programme takes place. There is a lag between approval of the scheme and when the MRP becomes chargeable.

Appendix 2

Reserves Update

The provisional outturn for reserves is shown below compared to the assumptions made at February Council for the 2023/24 budget. There is commentary below the table on the significant issues.

Usable Reserves (Provisional Outturn)									
	2022/23 Final Forecast				2022/23 Provisional Outturn				Variation
	Provisional / Opening Balance	Budgeted net (use of) contribution to reserves	Transfers	Closing Balance	Actual / Opening Balance	Actual net (use of) contribution to reserves	Budgeted Transfers	Closing Balance	
	£000s	£000s		£000s	£000s	£000s	£000s		
Earmarked									
1 Cultural Support Fund	132	-43		89	132	-40		92	3
2 Chelmsford Development	2,156	-2,156		0	2,156	804		2,959	2,959
3 Infrastructure Provision	1,259			1,259	1,259			1,259	0
4 Growth Fund	69			69	69	-50		19	-50
5 Insurance	910	-100		810	910			910	100
6 Local Development Framework	819	-207		612	819	-100	315	1,034	422
7 Pension Deficiency	1,833	867		2,700	1,833	413		2,246	-454
8 Park and Ride	176			176	176	53		229	53
9 Hylands House Reserve	3			3	3			3	0
10 Housing Initiatives	150			150	150			150	0
11 DPO Reserve	79			79	79			79	0
12 Project Evaluation Reserve	348	-6		342	348	-63		285	-57
13 Carry Forwards & Supplementary Estimate Reserve	286	-280		6	286	-443	303	146	140
14 Master Plan Income	65			65	65			65	0
Total Earmarked Reserves	8,285	-1,925	0	6,360	8,283	575	618	9,476	3,116
Unearmarked									
18 General Fund	15,137	-1,757		13,380	19,853	199	-618	19,434	6,054
Total other reserves	15,137	-1,757	0	13,380	19,853	199	-618	19,434	6,054
Total other reserves	23,422	-3,682	0	19,740	28,136	774	0	28,910	9,170
Not Available to Support Spend, until financial year end when the actual position is determined.									
19 Business Retention reserve	4,635	-4,299		336	4,635	-3,829		806	470

Commentary on the Reserves

- Earmarked Reserves.
 - The level of earmarked reserves is £3.1m higher than expected at the time of the budget, however, the majority £3m relates to delayed use of the Chelmsford development reserve to fund capital expenditure. This funding will be spent in the next 2 years on funding the purchase of short life assets (vehicles etc). This avoids associated MRP payments, somewhat suppressing the increase in MRP payments over the next 5-7 years. The higher balance of unearmarked reserves is therefore a temporary issue.
 - The table above does not show the creation of two new earmarked reserves; the Vehicle Fuel Reserve of £0.6m and Utility cost reserve of £2.3m established in 2023/24. This budget was funded by transferring the £2.9m

from the general fund. The lower energy costs have been discussed previously but this should ensure the unearmarked reserves are not used as heavily as expected. However, these two reserves will be maintained to help manage the continued uncertainty of the underlying inflation for these costs.

- The creation of additional reserves to manage specific risks or losses of income are likely to be proposed in the budget. This is intended to provide more clarity over the extent of these risks and over the size of general unearmarked reserves. It is expected that a reserve will be established to manage the temporary loss of rental income from a number of properties the Council lets, which tenants may vacate at the end of their leases.
- The General Fund (balance) is to be used to meet unexpected costs, i.e. when there is no earmarked reserve.
 - The S151 Officer set a £9m reserve target which should be seen as the level required to manage the unknown risks.
 - The 2023/24 budget identified that due to (temporary) losses of income and some expenditure, unearmarked reserves were expected to fall to circa £9m by 2025/26.
 - The General fund balance is £6m higher than predicted in the February Budget report. The main reason for this is that £5.3m of VAT refund from the Leisure case has been assumed. The claim is now close to being resolved and HMRC are reviewing the Council's submission. There is a risk the claim could be higher as interest has not been allowed for, or lower if HMRC find issue with the Council's submission. The balance of the increase is due to variances such as interest earnings.
 - Since 31st March 2023 outturn and the 2023/24 budget was set, it has become clear that Pay costs for 2023/24 will be higher than budgeted (how much by depending on what is negotiated) and energy costs for the year lower (potentially by £0.7m). Even allowing for these, it is most likely that the General Fund (unearmarked) reserves will be significantly higher than the £9m target set by the S151 officer in the budget, however the extent will only become clear during the 2024/25 budget process.
 - A higher level of unearmarked reserves provides the opportunity on a one-off basis to:
 - enable greater support to be made to temporarily fund service costs
 - reserves can be used for internal borrowing, avoiding higher cost of external debt
 - investment in spend to save schemes; or
 - support one off Council initiatives for residents.
- Business Rate Retention Reserve
 - This reserve holds money relating to timing differences, when gains and losses are accounted for as opposed to when they are real (available to use to support Council expenditure). An example of this is that the Retention scheme accounting arrangements require the Council to record the income from the scheme at the estimated position at the beginning of the year, but the gains paid to Government are based on actual figures for the year. So, it is possible under the scheme rules to have a significant gain above the budget and pay government its share whilst not being able to recognise the real income in the accounts to fund it.
 - It is now recommended in future that the Business rate Retention reserve is also used to hold a contingency. This would cover the risks of income being lower or higher than budgeted on the retention scheme. The estimate of

retention income is likely to be increased, and having this contingency would provide comfort when increasing our exposure to this difficult scheme. It is proposed that the reserve should be increased to reach a level of £2m over the next few years. The S151 officer will reflect that objective in monitoring reports and budget proposals to Council.

Government Survey of Reserves

The Government has recently collected data on local authority reserves, and though the S151 officer has recommend an appropriate level in the past, it should be noted that the Council's reserves were below the average identified by Government for other district Councils. This matter will be considered at part of the budget process.

APPENDIX 3**ACTIONS MEDIUM-TERM FINANCIAL STRATEGY**

The fundamental aims of the Council's Medium-Term Financial Strategy are to:

- 1) Maintain a sustainable financial position against a backdrop of continuing financial uncertainty and reduced government funding;
- 2) Support the Council's aims in the delivery of a safer, greener, fairer, and better connected Chelmsford through the appropriate allocation of available resources; and to
- 3) Maximise opportunities to increase resources, or use resources more effectively, whilst taking appropriate action to mitigate financial risk.

The actions recommended are very similar to those identified last year reflecting that most of the problems have continued from last year:

- 1 With rising inflation and restrictive Government funding, the Council needs to undertake strict cost control. This will be practised by officers in their day-to-day financial management. Officers' have reviewed 2022/23 expenditure and income and continue to work towards closer alignment of budgets to actual financial activity.
- 2 Reserves: Ensure a robust level of Reserves is maintained:
 - The level of reserves should be reviewed regularly. The Section 151 officer recommends £9m for Unearmarked Reserves but this will be reconsidered in the budget. Fluctuations around the recommended £9m level should be expected, as the purpose of reserves is to manage financial risk including temporary income falls. If those risks are realised, the level of reserves will need to temporarily fall to meet the realised costs (risks).
 - Specific reserves should be established, maintained and used to manage known or planned financial risks & costs. Appendix 1 identifies some of the factors that are likely to influence reserve levels.
 - The Business Rate Retention windfall gains should be held back in 2023/24 & later years to establish an appropriate contingency to manage the risks of including in the budget retention to support ongoing expenditure. The S151 officer will make recommendations on that as part of financial monitoring and budgeting.
- 3 Capital programme.
 - The programme should be used to deliver corporate priorities but also financial benefits.
 - The programme should be delivered at the lowest cost to the Council, so external funding should always be sought.
 - Further development of the process of planning the capital programme should take place, strengthening projections to ensure affordability. This is intended to be addressed in the Capital and Investment strategy report for 2024/25 for February Council.
 - A full review of capital scheme proposals and budgets will be undertaken during 2023 and included in the 2024/25 budget proposals.
 - Sites considered for disposal and their alternative use should be delivered in the most cost-effective manner to assist in delivering Council priorities and a balanced budget. The Council will continue to seek to optimise return on existing assets, divest itself of low-performing assets and invest in property to increase income to the Council when there is an economic regeneration outcome.
- 4 Reviews of Fees and Charges by services should take place annually. The review should reflect corporate priorities and financial sustainability. The budget will make an assumption, but this will not form part of the guidance to service managers when reviewing charges.

- 5 Officers will review budgets before seeking supplementary funding for cost increases or new initiatives.
- 6 The Council will follow best financial practice as set out in guidance from CIPFA and regulatory bodies. Identification of a risk or decision to deviate from guidance will be made to members for their consideration.
- 7 Budget guidelines have been drafted in Appendix 4 and approval is sought. Services will be required to follow the budget guidelines when preparing budgets and that will include a need to identify savings and new income.

Appendix 4

Budget Guidelines 2024/25

1.0 Introduction

- 1.1 The Statutory Section 151 officer (Accountancy Services Manager) is required by law to ensure the estimates are 'robust' and all the budgetary proposals are adequately reviewed.
- 1.2 The Accountancy Services Manager will:
- Issue a budget timetable and detailed guidance to Directors after the Cabinet meeting.
 - Issue standard forms to enable services to provide key information in a common way. The use of the standard forms is essential to ensure consistency in decision making
- 1.3 The sS151 will produce, update and circulate budget forecasts for 2024/25 to help manage the 2024/25 budget process.

2.0 Guidelines to Prepare Service Budgets

- 2.1 It is proposed that in the period September to December that Cabinet Members and Directors meet to resolve budget issues culminating in the production of a draft budget for the January Cabinet meeting.
- 2.2 The Council will continue to operate a 'control' budget system, where services are restricted to a set level of net budget expenditure on the basis of current year estimates plus adjustments for:
- inflation on employees' costs of 4%
 - non-domestic rates inflation of 2%
 - additional inflation provisions for items such as software licences, insurance premiums and building maintenance will be included determined by the Section 151 officer based on prevailing circumstances
 - a 3% vacancy factor has been applied in past years to all staff budgets and this practice should continue
 - funding for increments will be met by services from savings on appointing new staff at the bottom of their grade.

The Section 151 (Accountancy Services Manager) will calculate the 2024/25 control budgets for each service based on the above assumptions starting from the original 2023/24 budget. This includes adjustments to respond to inflationary pressures and costs.

- 2.3 Savings or increases in the utility costs will initially be kept/funded centrally so no service suffers or benefits from significant price changes. The Council will manage the purchase of utility costs centrally to achieve maximum economies of scale.
- 2.4 Services are asked to identify proposals that would meet a £3m Council Budget shortfall. This figure will be revised during the budget process depending on the prevailing budget forecasts.
- 2.5 Additional grant that is not awarded for a ring-fenced purpose should be identified as a saving and not used to fund growth within a service.

- 2.6 Fees and Charges increases will be reviewed as part of the budget process. Services will set their fees and charges based on evidence of comparators (where possible), corporate objectives, and prevailing inflation, in consultation with Cabinet members.
- 2.7 The review of the capital programme is part of the budget process and the existing scheme budgets will be reassessed to ensure the scheme remains the method to achieve corporate objectives. Budgets will be refreshed and:
- Capital Budgets for the year will be reduced at Christmas unless there is clear evidence of a commitment to spend, i.e. if a capital budget is significantly different to the level of financial commitments shown in the week prior to Christmas on the financial ledger system. Members will be asked to approve in January a lower budget more in keeping with the financial commitments.
 - That all new capital bids are a minimum of £10,000.
 - That all new capital bids should be to support delivery of the Council's priorities under Our Chelmsford: Our Plan.
 - Annual review of the replacement programme.
 - Proposals to Council for new capital schemes will prioritise those schemes that generate revenue income or cost savings.
 - The revenue cost of the capital funds used to fund new schemes will be calculated and included within the revenue estimates based on cost of loans repaid over the life of the asset.
- 2.8 The Accountancy Services Manager will ensure that the statutory requirement to consult with non-domestic ratepayers is met.
- 2.9 Any amendment to these guidelines will be dealt with by the Accountancy Services Manager in consultation with the Cabinet Member for a Fairer Chelmsford.

3.0 Carry Forward Requests for Cabinet Approval of unspent budgets from 2022/23

Description	Department	Amount
Cyber Security Costs – remaining cost from £100k grant received in 20/21	Digital Services	£51,600
HR Training – to allow purchase of training platform	Human Resources	£12,000
External Audit Costs – to cover costs of 22/23 external audit which has not yet begun	Accountancy & Exchequer	£82,000



Chelmsford City Council Cabinet

6 July 2023

Proposed Amendments to the Constitution

Report by:

Leader of the Council

Officer Contact:

Lorraine Browne, Legal & Democratic Services Manager & Monitoring Officer, email: lorraine.browne@chelmsford.gov.uk, tel: 01245 606560

Purpose

To consider the recommendations of the Constitutional Working Group arising from its reviews of the City Council's Constitution.

Options

To either accept or reject the recommendations being made by the Constitutional Working Group and the Governance Committee to the Council.

Preferred option and reasons

To recommend the proposed changes to the constitution for the reasons set out in the report and appendices.

Recommendations

That the Council be recommended to approve:

1. the amendments to the Constitution detailed in Appendices 1 & 2 to this report;

1. Introduction

- 1.1. The Council's Constitution is reviewed annually to ensure that it remains complete, up to date and reflects current practice and legislation. Some Parts of the Constitution, such as the rules relating to meetings and officer delegations, are likely to need detailed review as they are more likely to be affected by changes to organisational practices and legislation. Other Parts only need periodic detailed examination as they tend not to change significantly over time.
- 1.2. The annual reviews are initiated by officers and their recommendations are submitted in the first instance to the Constitution Working Group. Its recommendations are then passed to the Governance Committee, the Cabinet (where appropriate) and finally Full Council.
- 1.3. The proposed changes to the constitution arising from the annual review were considered by the Governance Committee on 8th March and are set out briefly below and in detail in Appendix 1. Cabinet is asked to consider these in advance of July Council:
 - A minor change to working groups to clarify that attendance of non-working group councillors require permission from the Chair in the same way as any additional cabinet members.
 - Sealing arrangements – to streamline the administrative process by removing an additional requirement for members to witness the seal. This will mean that in future only officers will do so.
 - Minor changes to the Community Funding Scheme to add the Rural England Shared Prosperity Fund. This particular change simply enables decisions to be made in relation to this new fund.
- 1.4. The Mayoral Working Group was also consulted in relation to proposed changes to sealing further details of which are set out below.
- 1.5. Two further changes were also considered by the Constitutional working group on 7th June 2023 and Governance Committee on 21st June 2023. These are set out in Appendix 2 together with background context. The Governance Committee recommends that both changes are made.

2. Changes proposed – working group attendance

- 2.1. Working groups provide a less formal space for a small group of members to be consulted, explore and shape solutions with officers at an early stage

before they are formally considered at relevant council meetings. There is no requirement for working groups to be politically balanced, but the Council has cross party membership in any event. Working group members often develop knowledge/expertise over the course of attendance. Reports and meetings are often prepared and conducted on an assumed level of knowledge. Working Groups do not take formal decisions and matters that arise are formally approved via other mechanisms, including where necessary at public meetings. Non-working group members do not have any automatic right to speak or to see working group reports in any event.

- 2.2. Custom and practice in the past has been to seek permission from the Chair when a non-working group member requests attendance. Such requests do not happen frequently. Whilst on most occasions permission may amount to no more than a courtesy to the chair, it is nonetheless helpful for exceptional cases that arise in practice. The proposal would also rectify an inconsistency in that an additional Cabinet Member needs permission from the chair in any event.
- 2.3. Most members of the Constitution working group were supportive of this change. One councillor expressed concern that the change would be undemocratic, overreaching and controlling in seeking to prevent representatives attending meetings. Other members of the working group highlighted the fact that working groups were supposed to be an informal meeting to discuss ideas with a small group of members before being agreed upon at formal meetings. It was noted that working groups were not a decision-making body and they had proved to be beneficial in developing ideas before considering them at formal meetings.

3. Sealing

- 3.1. There are a large number of property/contractual transactions, orders and other documents that must be made under seal. Legally, only one person is required to witness the seal. There are currently 4 senior officers that can do so and one of them is on site most working days.
- 3.2. The witnessing of the seal is an administrative task as legal staff undertake the necessary checking of the content of documents as well as ensure appropriate authority is in place prior to final agreed documents being prepared for sealing. Sealing usually occurs once or twice a week throughout the year. Some sealing can be predicted and planned in advance but this is not always the case in commercial transactions where negotiations are ongoing and greater agility in completing the transaction once this has occurred is expected.

- 3.3. Chelmsford added the Mayor (and in their absence Deputy Mayor) to the process some years ago. Over time, other authorities have tended to drop this practice and it is now unusual for this to remain. Where a constitution requires duplicate signatories (by having documents signed by both a member and also an officer) this becomes a constitutional requirement which must be fully complied with regardless of urgency or logistical issues that arise. Officer time is taken to co-ordinate routine sealing on a regular basis. Whilst the current and former Mayoralty members have always been gracious accommodating attendance at the civic centre to witness the seal, sometimes through no fault of those members there are logistical issues/delays to signing documents which delays the sealing process and impacts completion of a transaction.
- 3.4. It is proposed to streamline the process so that only one officer is required to witness the seal, thus alleviating the need to coordinate an additional signatory and increasing agility.
- 3.5. The Mayoral Working Group was consulted in relation to this and had divided views about this change. Some were happy with the change on the basis it is an administrative task that could conveniently be undertaken by officers only and which would reduce staff time taken and increase the Council's operational agility. Others felt that the tradition of the Mayor or Deputy Mayor should be retained. It was acknowledged this is a ceremonial role rather than providing any added governance or assurance to the sealing of documents.

4. Conclusion

- 4.1. Cabinet is asked to consider the amendments to the Constitution set out in Appendix 1 & 2 before consideration by Full Council.

List of Appendices

Appendix 1 – Proposed amendments arising from Annual review relating to working group membership, sealing and community funding panels.

Appendix 2 – proposed changes to add a new delegation in relation to neighbourhood planning referenda and modification in relation to fees and charges.

Background papers:

Nil

Corporate Implications

Legal/Constitutional: These are set out in the report

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

Consultees: None

Relevant Policies and Strategies:
None

Appendix 1 – proposed changes to the constitution 2023

Item proposed for change	Current version (deletions in blue)	Proposed version (with additions highlighted)
<p>1. Working Groups</p> <p>Minor change to clarify that any non-working group member can only attend a working group meeting with permission with the Chair. This also better aligns the position with that of an “other Cabinet Member” referred to in paragraph 4.2.8A.2.</p>	<p>4.2.8A - WORKING GROUPS</p> <p>4.1.8A.1 - deals with creation of working groups (not reproduced in full)</p> <p>4.2.8A.2 The Cabinet Member whose portfolio is most closely associated with the general work of a Working Group shall be entitled to attend its meetings and speak at them. Other Cabinet Members may, with the permission of the Chair of the Working Group, attend and speak at its meetings if it is considering a matter relating to their portfolios.</p> <p>4.2.8A.3 Other members of the Council may attend working group meetings but are not entitled to speak.</p>	<p>4.2.8A.3 Other members of the Council may with permission of the Chair of the Working Group attend working group meetings but are not entitled to speak.</p>

<p>2. Witnesses the affixing of the Council's seal</p> <p>Article 15 – to remove the requirement for the witnessing of the Council's seal to be undertaken by both an officer and a member (see background information included in report)</p>	<p>2.15.6 The Common Seal of the Council shall be kept secure by the Legal and Democratic Services Manager and shall be fixed as necessary to any official document of the Council. The Mayor or Deputy Mayor, Chair of the Governance Committee and the Chief Executive, the Director of Connected Chelmsford and the Legal and Democratic Services Manager, or such other person authorised by the Legal and Democratic Services Manager, shall witness the fixing of the seal to a document. The use of the seal shall be recorded in the Seal Register.</p>	<p>2.15.6 The Common Seal of the Council shall be kept secure by the Legal and Democratic Services Manager and shall be fixed as necessary to any official document of the Council. The Chief Executive, the Director of Connected Chelmsford and the Legal and Democratic Services Manager, or such other person authorised by the Legal and Democratic Services Manager, shall witness the fixing of the seal to a document. The use of the seal shall be recorded in the Seal Register.</p>
<p>3. Minor change to Chelmsford Community Funding Scheme terms of reference in paragraph 3.2.4 of the constitution</p> <p>The purpose of the change is to add the Rural England Prosperity Fund Grant Scheme. For ease of reference current paragraphs 1 and 4 have been combined. The key addition proposed is highlighted.</p>	<p>3.2.4. 1. To oversee the governance of Chelmsford's Community Funding Scheme, which includes the Neighbourhood Allocation of the Community Infrastructure Levy (CIL) in the nine unparished wards and the Council's Discretionary Corporate Grant Aid fund.</p> <p>2. no change</p> <p>3. no change</p> <p>4. To oversee the governance of the Greener Chelmsford Grant scheme and to make recommendations on spend to Cabinet and Council as appropriate</p>	<p>1. To oversee the governance of Chelmsford's Community Funding Scheme, which includes the Neighbourhood Allocation of the Community Infrastructure Levy in the nine unparished wards, the Greener Chelmsford Grant Scheme, the Discretionary Corporate Grant Aid scheme and the Rural England Prosperity Fund Grant Scheme. Appropriate recommendations on spend to Cabinet and Council are made as appropriate.</p>

APPENDIX 2 - TWO FURTHER PROPOSED CHANGES TO CONSTITUTION

Item proposed for change	Current version in constitution	Changes proposed (tracked in red)
<p>1. Neighbourhood Planning Statutory Functions</p> <p>Proposal</p> <p>To add an officer delegation to enable the timely progress of statutory functions related to Neighbourhood Plans to take place.</p> <p>Background</p> <p>On 14 March 2023 Cabinet resolved that the statutory functions of considering examiner’s reports and recommendations for the six Neighbourhood Plans under preparation, including (where applicable) the decision to proceed to referendum be delegated to the Director of Sustainable Communities in consultation with the Cabinet Member for Sustainable Development.</p> <p>This has enabled the Council to be able to make decisions on whether Neighbourhood Plans should</p>	<p>Nothing currently in constitution</p>	<p>To add a new delegation to the Director of Sustainable Communities under paragraph 3.4.7</p> <p>All matters (including statutory functions) relating to the development and making of Neighbourhood Development Plans.</p>

proceed to referendum within the statutory 5 weeks of receiving an examiner's report.

Once a referendum has been held, the Council is required to 'make' (adopt) the plan if more than half of those voting in a referendum have voted in favour of the plan. For the two 'made' Neighbourhood Plans (South Woodham Ferrers and Writtle) this final decision was made by Full Council.

The Council must make the plans as soon as reasonably practicable after the referendum is held (The Planning and Compulsory Purchase Act 2004, Section 38A).

This is further clarified in The Neighbourhood Planning (General) Regulations 2012, which sets out at Regulation 18A the prescribed date for making a neighbourhood development plan as 'the date which is the last day of the period of 8 weeks beginning with the day immediately following that on which the last applicable referendum is held'.

Whilst the regulations state that a plan must be 'made' in these circumstances, it does not prescribe at what level the decision must be made.

It was fortunate that the timing of the referendums for the South Woodham Ferrers and Writtle

Neighbourhood Plans fell conveniently within the committee cycle so that the decision to make the plans could be taken by Full Council within the prescribed timeframe.

However, for forthcoming Neighbourhood Plans this may not be the case. For example, at Little Baddow the examiner's report has been received recommending that the plan be subject to a referendum. It would be natural to arrange this as soon as possible, to continue the momentum for the local community. However, due to the required timeframe to arrange a referendum there could be a gap of 4-5 months between the referendum and the following meeting of the Council in December.

There are some options potentially available:

- Delay a referendum to a date 8 weeks or less before the next planned Full Council meeting. However, this could be considered to be an unwarranted delay, and disrupt the momentum for the local community and the interest in voting in the referendum.
- Arrange one or more additional meetings of the Full Council to meet the required timeframe for making a plan as they arise. This may be considered to be an additional burden on Members and officers if meetings

<p>needed to be arranged to consider a single item of business.</p> <ul style="list-style-type: none"> Amend the Council's constitution to allow the statutory functions of Neighbourhood Plan decision-making to be delegated to the Director of Sustainable Communities (in consultation with the appropriate Cabinet Member if appropriate). <p>This final option of changing the constitution is the preferred option recommended to the working group.</p>		
<p>2. Change to fees and charges</p> <p>The following changes are being put forward by officers to re-align delegation levels with current financial limits (eg supplementary estimates). The changes also reflect current working practice and provide clarification. The separate identification of any increases over £200k for existing charges are designed to provide transparency to members within the formal budget approval process.</p>	<p>Existing Charges (<i>the budget guidelines approved annually by Council include a standard average rate of increase for fees and charges</i>)</p> <p>Work with Directors to set the average charges across a Directorate (as measured by price change or increase in yield) at that standard rate. If this is not possible then Council approval should be sought via Accountancy.</p> <p>There are specific delegations for fees and charges for major events</p>	<p>Fees and Charges amendments within the annual budget process. <i>The budget guidelines approved annually by Council include a standard assumption for the average increase (for financial planning), this is not intended to be the outcome increase for any charge. Increases in charges should be determined in the manner below:</i></p> <ul style="list-style-type: none"> <i>The proposals for fees and charges will be determined by the Director in consultation with the responsible Cabinet member.</i>

	<p>in parks and regulatory Licences elsewhere in the constitution.</p>	<ul style="list-style-type: none"> ii. The fees and charges proposals will have determined after making any appropriate comparisons including other local authorities and private sector providers of similar services in the appropriate geographical area. This will include consideration of equalities. iii. The charges do not have to match the assumed percentage increase in the financial planning. iv. Annually by the end of October Directors will provide for budget planning draft proposals for increases in fees and charges for their service areas. <p>The Budget report made each January will identify separately the increase in total monetary value of fees and charges by service area (a service as set out in the annual budget report), where they generate any increase over £200k compared to the previous year's budget.</p>
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	<p>New Fees and Charges: Chief Executive and Directors, in consultation with the relevant Cabinet Member, can establish any new fees and charges for any service for which they are responsible, provided it is expected to generate no more than £50,000 in a full year; and where the annual income generated by the new charge is estimated to above £50,000 then approval will be required from Councillors as follows:</p> <ul style="list-style-type: none"> · £50K to £250K – Cabinet · Over £250K - Full Council 	<p>New Fees and Charges: Chief Executive and Directors, in consultation with the relevant Cabinet Member, can establish any new fees and charges for any service (as set out in the annual budget report) for which they are responsible, provided it is expected to generate no more than £50k£200k in a full year; and where the annual income generated by the new charge is estimated to above £50k£200k then approval will be required from Councillors as follows:</p> <ul style="list-style-type: none"> · £50k£200K to £250k1m – Cabinet · Over £250k£1m - Full Council
	<p>Amendments to Fees and Charges: Chief Executive and Directors, in consultation with the relevant Cabinet Member, can amend fees and charges for which they responsible, provided that across the Council any (all) amendments generate no more than £50,000 in a full year. Changes to Fees and Charges that would be above £50,000 in a full year, require approval as follows :</p> <ol style="list-style-type: none"> 1. £50K to £250K – Cabinet 	<p>Amendments to Fees and Charges: Chief Executive and Directors, in consultation with the relevant Cabinet Member, can amend fees and charges for which they responsible, provided that any service area (as set out in the annual budget report) amendments generate no more than £50k£200k in a full year. Changes to Fees and Charges that would be above in a full year, require approval as follows :</p> <ul style="list-style-type: none"> · £50k£200K to £250k1m – Cabinet

	2. Over £250K - Full Council	1. Over £250k £1m - Full Council
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