

Cabinet Agenda

25 January 2022 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

C K Davidson (Fairer Chelmsford)
M J Mackrory (Sustainable Development)
R J 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 Brian Mayfield in the Democracy Team on Chelmsford (01245) 606923 email brian.mayfield@chelmsford.gov.uk

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THE CABINET

25 JANUARY 2022

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 16 November 2021. 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. Connected Chelmsford Item

Local Council Tax Support Scheme 2022-23

7. Sustainable Development Items

7.1 Car Parking Fees and Charges

7.2 First Homes Planning Advice Note

7.3 Housing Additionality: Affordable Housing for Rent Planning Advice Note

(The Advice Note was supported by the Chelmsford Policy Board on 13 January 2022, which recommended that the Cabinet approve it))

7.4 Local Plan Duty to Co-operate Strategy

8. Fairer Chelmsford Items

8.1 Treasury Management, Capital and Investment Strategies 2022-23

8.2 Revenue Budget 2022-23

9. Greener and Safer Chelmsford Item

Public Open Spaces Policy

10. 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.

11. 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)

NIL

**MINUTES OF
CHELMSFORD CITY COUNCIL CABINET**

on 16 November 2021 at 7.00pm

Present:

Cabinet Members

Councillor S J Robinson, Leader of the Council (Chair)
Councillor M C Goldman, Deputy Leader and Cabinet Member for Connected Chelmsford
Councillor M J Mackrory, Cabinet Member for Sustainable Development

Opposition Spokespersons

Councillors K Bentley, R Hyland, I C Roberts, M S Steel and R T Whitehead

Also present, in person or remotely: Councillor C K Davidson (Cabinet Member for Fairer Chelmsford) and Councillor R J Moore (Cabinet Member for Greener and Safer Chelmsford) and Councillors W Daden, S Dobson, A Sosin and N Walsh

1. Apologies for Absence

Apologies for absence were received from Councillors J Galley, N Gulliver, J A Potter, R J Poulter and M Sismey, Opposition Spokespersons.

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 12 October 2021 were confirmed as a correct record. No decisions at that meeting had been called in.

4. Public Questions

Questions were asked by members of the public on the East Chelmsford Masterplan. The questions and the responses given are recorded under minute number 7.3 below.

5. Members' Questions

Councillors who were not members of the Cabinet asked the following questions:

- (a) Councillor N Walsh on the position on the holding of remote or hybrid meetings.

The Cabinet Member for Connected Chelmsford replied that the government, despite strong representations from local authorities and bodies representing them, had failed to bring forward legislation similar to that which had enabled decisions to be made by members at remote or hybrid meetings and which had expired in May 2021. The result was confusion as to how best to maintain the decision-making process during the ongoing pandemic, this meeting being an example of the uncertainty around whether it would be desirable to meet remotely or in person.

The benefits of remote meetings in terms of greater engagement with the public, decreasing the need for travel and the associated carbon emissions, access to information on decisions and reducing the cost of holding meetings had been proven whilst the legislation had been in force. The Cabinet Member urged citizens to write to their Members of Parliament and ask them to support the call for the government to bring forward legislation that would enable local authorities to take decisions in ways that best met their local circumstances and requirements.

- (b) Councillor I Roberts, who sought clarity on the consultation process for planning applications after a number of deadlines had been given for the consultation on the planning application for Strategic Growth Site 10, South Woodham Ferrers.

The Cabinet Member for Sustainable Development was sympathetic to those who had called for more time to respond to the consultation on the very detailed application for the South Woodham Ferrers site, which had followed the normal statutory requirements and practices. It was important to receive the views of local people on the South Woodham Ferrers application and, following a request from South Woodham Ferrers Town Council, the period for comments had been extended to 7 January 2022. It was often the case that responses would continue to be accepted on an application beyond the statutory consultation period but in view of the nature of this application the deadline had been formally extended to enable as many people as possible to comment.

(7.05pm to 7.14pm)

6.1 Treasury Management Mid-Year Review (Fairer Chelmsford)

Declarations of interest:

None.

Summary:

The Cabinet considered a report on the Treasury Management activities undertaken in the first part of 2021-22 and the extent of compliance with the approved Treasury Management Strategy. The Treasury Management and Investment Sub-Committee had concluded that no changes to the Strategy were required ahead of the full, annual review later in the financial year.

Options

Accept the recommendation in the report or recommend changes to the management of the Council's investments.

Preferred Option and Reasons

The current investment arrangements met statutory requirements and were satisfactory in the current circumstances.

RESOLVED that the report on the Treasury Management activities in 2021-22 be noted and the Council be requested to review the report and approve the 2021-22 Treasury Strategy without change.

(7.14pm to 7.17pm)

6.2 Revenue Monitoring 2021-22 (Fairer Chelmsford)

Declarations of Interest:

None

Summary:

The report formed part of the reporting regime by which members and officers monitored the Council's forecast of expenditure and income and compared them with the approved estimates. It identified an expected level of expenditure and income by the Council for the year ending 31 March 2022 and set out actions relating to each of the material variations. The Cabinet was asked to consider the actions relating to the budget variances.

Options:

Approve or not the actions proposed to address the budget variations.

Preferred Option and Reasons:

The proposed actions would help ensure, as far as possible, that the Council would have sufficient funds to meet its revenue budget requirements in 2021-22.

RESOLVED that the revenue monitoring report be noted and that Cabinet Members monitor the identified actions.

(7.17pm to 7.20pm)

6.3 Capital Monitoring and Update (Fairer Chelmsford)

Declarations of Interest:

None

Summary:

The Cabinet received a report on the latest position on the capital programme. The report also provided updates on the approved Capital Schemes and Asset Replacement

Programme to reflect variations in cost and timing which had been identified to date and sought approval for additional budgets.

Options

Approve or not the variations to Capital Schemes and the Asset Replacement Programme.

Preferred option and reasons

The Capital Programme as submitted represented new phasing and expenditure required for Capital Schemes and the Asset Replacement Programme.

Discussion:

Reference was made to the possibility that there may be an overspend on the Theatres Modernisation project. It was asked how much overspend would be tolerated and when tenders were expected to be received. The Cabinet Member for Connected Chelmsford said that design work was still being carried out on the scheme, which would improve access for the disabled to the Theatres and generally improve their facilities. The reference in the report to an overspend was intended to flag the possibility that costs beyond the control of the Council, such as those for materials, may lead to expenditure greater than anticipated. The cost of the scheme would continue to be closely monitored. No date had yet been set for the invitation of tenders.

RESOLVED that

1. The proposed increase of £1.654m in the capital scheme programme, shown in Appendix 1 and detailed in paragraph 6.3 of the report to the meeting, be approved.
2. The proposed changes to the Asset Replacement Programme for 2021-22 and 2022-23, the increase in scheme costs of £82k in 2021-22 and £63k in 2022-23, and the rephasing of spend from 2021-22 of £941k, as shown in Appendix 3 and detailed in paragraphs 7.3 and 7.4 of the report, be approved.

(7.20pm to 7.30pm)

7.1 Local Development Scheme (Sustainable Development)

Declarations of Interest:

None

Summary:

The Cabinet was requested to consider the revised Local Development Scheme (LDS) which set out the programme of work for the preparation of statutory and non-statutory development plan documents for the period 2021-2025 to be approved for publication.

Options

1. Approve and publish the revised LDS
2. Approve and publish the revised LDS following amendment
3. Do not approve and publish the revised LDS

Preferred option and reasons

Option 1 would enable the Council to meet its statutory obligation to review and update its LDS and Local Plan.

Discussion:

Questions were asked on the following aspects of the LDS:

- With reference to paragraph 5.13, there were six parish SPDs more than 10 years old. It was asked whether they were to be up-dated, whether it was expected that neighbourhood plans would replace them at some point and, if so, when.

The Cabinet Member of Sustainable Development said that as these were Community-led documents undertaken by volunteer groups, the City Council did not set the timetable for them to be updated. In the main they were being replaced by Neighbourhood Plans, but did not have to be. Again, these timetables are driven by the community groups undertaking the work rather than the City Council. The LDS only reported progress.

- With reference to paragraph 6, whether consideration would be given to working on a resident-friendly media release to coincide with the start of the regulation 18 consultation.

The Cabinet was informed that animations and videos had already been identified as being required to support the Local Plan Review and Officers were starting the preparatory work needed for their production. In addition, a Local Plan Communication Plan was being prepared in conjunction with the Council Corporate Communications Team which would maximise the use of different media and engagement methods.

- Whether an assurance could be given that there would be sufficient qualified staff in place at the start of the consultation periods in view of the large volume of submissions expected.

The Cabinet Member for Sustainable Development said that there would be sufficient qualified staff in place going into the consultation period. The Cabinet was also assured that measures were being put in place to address the resource requirements of the Communications Team, for whose work the Cabinet Member for Connected Chelmsford expressed appreciation.

- How many neighbourhood plans, which had been started but appeared to be making little headway, were likely to be adopted by 2025.

The Cabinet was told that the Neighbourhood Plans currently being prepared should all be approved ('made') by 2025. As Community-led Plans, however, their timetables were not controlled by the City Council.

- Whether paragraph 8.8 should this refer to Council and not Cabinet.

It was confirmed that the reference should be to full Council.

- On page 18, whether there would be an appraisal of how the Masterplan process had worked, and what that would that look like. Experience in some cases showed that such plans often did not reflect the Local Plan when it came to numbers of dwellings and this disconnect was exacerbated when outline plans were submitted. For Strategic Growth Site (SGS) 10 the Administration had often said that about 1000 could mean as many as 1200, 20% more houses, and this had given the developer the green light to push for more. Now about 1000 meant 1200 for Countryside/Essex plus the Bellway development, which was expected to be 450+ homes. This was not the only example and it was the view of some that a masterplan should act as a braking mechanism on development, not an accelerator. It was added that, with regard to SGS10, an increase in the number of houses was not being met by a corresponding increase in the infrastructure required to support it, particularly with regard to roads and schools.

The Cabinet Member replied that it had never been possible for the precise housing capacity of sites allocated in Local Plans to be identified at that stage. This was why housing numbers within the adopted Local Plan were framed as 'around' rather than being attributed a precise number. None of the proposals being formulated through masterplans were exceeding the development boundaries set for them on the Local Plan Policies Map and they were being formulated to ensure that they were compliant to policies relating to standards for open space, internal space, cycleway, footway and parking. The size, height, density and massing of development were informed by Local Plan Site Policies and the detailed work and analysis undertaken as part of the masterplan process. In some cases, such as the site at Manor Farm and South Woodham Ferrers, they were greatly exceeding the standards for open space.

This issue also needed to be considered in the context of the City Council's housing requirement set out in the adopted Local Plan. This was a minimum figure which recognised national planning policy requirements to significantly boost the supply of housing to respond to the national housing crisis.

On site SGS10, the infrastructure requirements would be addressed as part of the planning application process and the requirements of the statutory authorities. A case was already being made for the provision of a new primary school as a result of the increase in the number of houses.

The Cabinet was informed that the review of the LDS would enable it to take into account the latest trends and requirements to address issues such as climate change, the need for affordable housing and the creation of employment opportunities.

RESOLVED that the revised Local Development Scheme set out at Appendix 1 of the report to the meeting to come into effect from 17 November 2021 be approved.

(7.30pm to 7.53pm)

7.2 Solar Farm Development Supplementary Planning Document (Sustainable Development)

Declarations of Interest:

None

Summary:

The report to the meeting set out the proposed changes to the Supplementary Planning Document (SPD) on Solar Farm Development as a result of feedback received to consultation on it. Once adopted the SPD would provide guidance on preparing, submitting and assessing planning proposals for solar farm proposals and guidance on where solar farms may be most suitable.

Options

1. Approve and publish the revised SDP
2. Approve and publish the revised SDP following amendment
3. Do not approve and publish the revised SDP

Preferred option and reasons

Option 1 would enable the Council to apply the requirements of national planning policy and guidance, local planning policies and other relevant strategies to the consideration of solar farm proposals. It would also provide practical advice for solar farm applicants, Council planners, local stakeholders and communities in the consideration of solar farm proposals.

Discussion:

The SPD was welcomed by those present at the meeting. The Cabinet Member for Sustainable Development said that effective partnerships and consultation arrangements were being developed with neighbouring district councils to enable proper consideration to be given to solar farm proposals that crossed local authority boundaries.

In response to a question about the demographic of those who had responded to the consultation, the Cabinet Member said that whilst only a few comments had been received from individual members of the public, most parish councils, representing the residents of their areas, had responded.

RESOLVED that

1. The proposed changes to the Solar Farm Development SPD attached at Appendix 2 of the report to the meeting be agreed and it be adopted in accordance with those changes.
2. The Director of Sustainable Communities in consultation with the Cabinet Member for Sustainable Development be authorised to make any subsequent minor textual, presentational or layout amendments to the final version of the SPD.
3. The Director of Sustainable Communities in consultation with the Cabinet Member for Sustainable be authorised to approve the necessary legal and procedural adoption material to enable the adoption of the SPD.

(7.53pm to 8.04pm)

7.3 East Chelmsford Masterplan Strategic Growth Site 3a, Manor Farm (Sustainable Development)

Declarations of Interest:

None

Summary:

The Cabinet considered a masterplan prepared by Hopkins Homes for the East Chelmsford Site Allocation 3a, Manor Farm, in the Local Plan.

The site policy for Strategic Growth Site 3a required the following amount and type of development:

- Around 250 new homes of mixed size and type to include affordable housing.
- A new Country Park.

The core content of the masterplan covered:

- Context and site analysis
- Constraints and opportunities
- Landscape, ecology, heritage and drainage strategy
- Access, movement and connectivity, including the cycling network
- Land use and character zones
- Green infrastructure – creating a network of green corridors
- Country Park

The report to the meeting provided an overview of the masterplan's contents and the process through which it had been produced and consulted on.

Options

1. Approve and publish the masterplan
2. Approve and publish the masterplan following amendment
3. Do not approve and publish the masterplan

Preferred option and reasons

The masterplan as submitted demonstrated how the requirements of the Local Plan would be delivered on Site 3a - Manor Farm. Its vision was sufficiently ambitious to achieve a high-quality development which was well related to its context. The masterplan layout and other content provided a sound framework to guide successful placemaking and would support the planning application process.

Discussion:

Two questions were submitted by members of the public on the masterplan. They related to:

- The proximity of three-storey blocks of housing to Maldon Road, which would be out of keeping with the surroundings, and the disparity of figures for the density of the development given in various documents
- The process by which local residents were notified of the masterplan and consulted on it; the measures that would be taken to ensure that users of cycle route option 4 kept to the cycle path and did not use the river tow path; and the arrangements for the drainage of surface water from the site.

In response to the first question, the Cabinet Member for Sustainable Development said that the site area of the housing development was quite sizable at a total of 30ha. However, Hopkins Homes had acknowledged there were areas within the site which were complete no build zones, for example where the Sustainable Urban Drainage Systems (SuDS) features were located and the location of the gas main and its easements. They had therefore excluded these areas within in their calculations which reduced the site down to a 'gross area' of approximately 20ha. Based on this site area, 340 homes would result in 17 dwellings per hectare (dph) as stated in the masterplan and Hopkin's response document. The 11.18ha stated in the masterplan was the total area of developable parcels alone.

The masterplan identified the densities of the developable parcels and these ranged between 22-38dph which represented a fairly low density scheme particularly in the context that only up to relatively recently Government policy stated that new developments should not be below 30 dph to ensure efficient use of land.

Both the proposed densities and scale took account of the sensitivities of the site, with lower scale and density located in the more sensitive areas such as the transition to the Country Park and around the Bronze Age Monument. Where higher densities and scale were proposed, although contextually, they were not out of keeping, they were where the development was closer to more built-up areas and/or more urban locations such as the settlement of Great Baddow or the A1114 slip road. Also, it should be noted that the development was set in from the boundaries of the site to the north and west due to existing landscaping, which was proposed to be enhanced, and to accommodate the strategic east-west footway/cycle link across the site.

Furthermore, both density and scale were given as a range i.e., 'between' and 'up to'. The masterplan was identifying potential areas for those greater ranges of scale and density but it was through the detailed design that final scale and density would be determined.

On the second question, the Cabinet Member said that the Manor Farm masterplan, prepared by Hopkins Homes, had been on consultation from 23 July 2021 until 3 September 2021. Both the Council and the developer sent out consultation notifications but a decision always needed to be made about the extent of letter notifications. That was why site notices were also used to notify people. Six of those were put around the site and included information on how to make comments. Information was also available on the Council's website and social media feeds. Consultation on this strategic site was also carried out as part of the preparation of the Local Plan.

Section 5.3 of the masterplan provided an analysis of potential cycle route options between the development and the City Centre, setting out the benefits and constraints of these routes with the purpose of identifying the preferred options. It was a high-level analysis

with the detail and any consultation, where necessary, to be addressed at planning application stage.

As set out at page 65 of the masterplan, option 2 was not identified as a preferred route and only the initial part of option 3, where it could connect into the National Cycle Route from Sandford Mill, was identified as a preferred route.

With respect to option 4, this was already National Cycle Route 1, and therefore was an existing and established route. The masterplan showed how the development could connect into it from the site, i.e., into Sandford Mill Lane where the route lay to the east of Manor Farm before continuing north-northwest adjacent to Chelmer Village and into the City Centre.

As set out on page 89 of the masterplan, the development would include a comprehensive SuDS strategy that focused on using natural processes and materials to intercept, guide, filter and absorb surface water from the development. The purpose of SuDS was to appropriately control surface water run-off to prevent the risk of flooding downstream. Policy DM18 of the Chelmsford Local Plan required all major developments to include SuDS.

A member present at the meeting had the following questions on the masterplan:

- Whether it was the policy of the Council to deliver a Local Plan created by the previous Administration, and adopted by the current Administration, that was put to residents as the scope of works needed to delivery Objectively Assessed Housing Need, or whether its purpose was to deliver developer(s) version of the Local Plan
- Whether residents were being properly served if the Council allowed “Developers Greed” and bypass those Local Plan numbers, dismissing residents' concerns and ignoring the impact of a greater number of houses on residents' wellbeing. If allowed the inflated units from 250 to 340 would increase residents' traffic concerns, infrastructure shortfalls (schools / doctors /dentists) and flood risk.

The opinion was also offered that the houses were not being built to serve Chelmsford residents but to import new residents, serving the London overspill and sustain shareholder value, not serve residential amenity. If the increase in dwellings did not benefit and serve residents currently living in the area impacted by the development it should be determined that 250 units was the maximum permitted for development, as per the Local Plan.

The Cabinet took strong issue with the last point. The need for additional housing in Chelmsford was driven by national policy, local demographics, the needs of local people and the demand for more affordable housing. It was not a response to demand for housing from London or elsewhere. A significant proportion of increases in Chelmsford's future population was down to natural change (births compare to deaths), additional household formation (people getting divorced/separated) and hidden households (younger adults staying at parent's homes longer). National data that was used to inform Chelmsford's Local Plan objectively assessed housing number showed migration from London accounted for a small proportion of the overall number. The data showed that 70% of moves in and out of Chelmsford were self-contained within the Local Housing Market Area.

On the other questions asked by the member, the City Council's housing requirement set out in the adopted Local Plan was a minimum figure which recognised national planning

policy requirements to significantly boost the supply of housing to respond to the national housing crisis.

It had never been possible for the precise housing capacity of sites allocated in Local Plans to be identified at that stage. This was why housing numbers within the adopted Local Plan were framed as 'around' rather than being attributed a precise number. The Local Plan allocation at Manor Farm specifically stated that it was likely that the development capacity would be in excess of 250 homes and it was for the masterplan process to inform the process of determining the number.

It was important to make efficient use of land allocated for development in sustainable locations. Masterplans refined housing capacities based on detailed analysis of landscape, heritage and development form. Planning applications then set the precise numbers of homes informed by detailed transport and infrastructure assessments. Whatever the final number, there was a planning policy requirement to provide financial contributions to increase school places and healthcare facilities in the area. There would also be an increase to affordable housing and CIL receipts used to fund new community infrastructure.

Another member expressed concern that the increase in the number of houses for this site over that mentioned in the Local Plan and the presence in the masterplan of dwellings more than two storeys in height would make it difficult for the Planning Committee to approve any planning application as such dwellings were contrary to policies in the Local Plan for sites of this nature.

The Cabinet Member said that the Planning Inspector who had examined the Local Plan had specifically referred to the ability of this site to accommodate more than 250 dwellings. The three-storey elements were very limited in number and location and would help provide variety and a sense of place. Dwellings of that height had been approved as part of other developments in Chelmsford but ultimately all planning applications were determined on their merits and this one would be no exception.

Other questions were asked on:

- The timescales for the Hopkins Homes and Redrow developments. The masterplan for site allocations 3b, 3c and 3d, proposed by Redrow, was approved by Cabinet on 8 June 2021 while the masterplan for site allocation 3a, proposed by Hopkins Homes, was being considered at this meeting. As a lot of the comments and concerns raised by residents would be addressed during the planning stage of the approval process, it was asked how a holistic view of the proposed developments could be taken at the planning approval stage if the two applications did not come forward at the same time.

The Cabinet Member replied that the same City Council and County Council officers were working with both developers to ensure consistency between the masterplans and subsequent planning applications to make sure that a coherent and holistic approach was taken to the East Chelmsford allocation. The developers also had shared infrastructure requirements, including the five-arm roundabout at the junction of Sandford Mill Lane and Maldon Road, for which they intended to submit a joint planning application.

The developers for Manor Farm, Hopkins Homes, had expressed the desire to submit a planning application as soon as possible, i.e., by the end of the year/early January 2022, although timescales would be subject to pre-application discussions. However, based on this it was possible that planning applications by the two

developers would run concurrently allowing a greater public understanding of the aspirations and delivery of the East Chelmsford allocation as a whole.

- The cycle route proposed in the masterplan. The current cycle route, which was identified as cycle route one in the masterplan, was not a safe or adequate cycle route from Great Baddow to the city centre. It was positive to see the mention in the masterplan of a proposed new cycle route from Great Baddow to the city centre, identified as cycle route five. It was important that the developers, Essex County Council and the City Council worked together in ensuring that this proposed route went ahead and that safe connections to current cycle routes were developed and it was asked how this would be ensured.

The Cabinet Member replied that cycling option 5 showed a route northwest through the Country Park which the Council expected to be delivered as part of any planning application and provisions to secure this would either be through condition and/or a S106 agreement. On the areas of the route that fell outside the developer's control, the City Council and Essex County Council continued to have meaningful and progressive discussions on how this may be delivered.

RESOLVED that the masterplan for East Chelmsford Strategic Growth Site 3a, Manor Farm, as submitted to the meeting, be adopted.

(8.04pm to 8.40pm)

8. Gambling Act 2005 – Statement of Licensing Principles (Greener and Safer Chelmsford)

Declarations of Interest:

None

Summary:

The Cabinet was requested to approve the latest Statement of Licensing Principles under the Gambling Act 2005 before its consideration by Council.

Options

Recommend the Statement to the Council with or without amendments.

Preferred option and reasons

Recommend adoption of the Statement as submitted, as it had been the subject of consultation and remains fit for purpose.

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

9. Reports to Council

The Cabinet was informed that the following items would be the subject of report to the Council:

- Treasury Management Mid-Year Review (Minute Number 6.1)
- Gambling Act 2005 – Statement of Licensing Principles (Minute Number 8)

10. Urgent Business

There were no items of urgent business.

Exclusion of the Public

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for item 11 on the grounds that it involves the likely disclosure of exempt information falling within paragraph 3 of Part 1 of the Schedule 12A to the Act (information relating to the financial or business affairs of any particular person including the authority holding that information).

11.1 Transfer of Land at Generals Lane, Chelmsford (Fairer Chelmsford)

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.

Declarations of Interest:

None

Summary:

The report to the meeting sought approval for the transfer of land to Network Rail for the delivery of the new train station at Beaulieu.

Options:

Agree or not to the transfer of the land.

Preferred option and reasons

The agreed transfer of land to Network Rail would aid in the delivery of the new station, potentially avoiding the delays that would be caused using powers under the Transport and Works Act 1992 to acquire the land.

Discussion:

In response to questions at the meeting, the Cabinet Member for Fairer Chelmsford give details of the amount of income expected from the proposed car park and when it was likely to begin to be received.

RESOLVED that the Director of Public Places in consultation with the Cabinet Member for Fairer Chelmsford be authorised to transfer the land referred to in the report to the meeting

and to negotiate and complete all associated licences, contracts and agreements including any minor variations to the terms set out in the report.

(8.44pm to 8.48pm)

11.2 Funding of Land Investigation Works at Chelmer Waterside (Fairer Chelmsford)

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.

Declarations of Interest:

None

Summary:

The Cabinet was requested to approve funding for land investigation works at Chelmer Waterside

Options:

Agree or not to provide the funding.

Preferred option and reasons

Approval of funding would allow land investigation works to be undertaken to support the development competition process and give confidence to potential partners that the proposed development was feasible.

Discussion:

Asked whether the cost of the land investigation works would be met by the site developers or the Council, the Cabinet Member for Fairer Chelmsford said that most of the new homes would be built on land owned by the Council. The distinction between the developer and the public purse was not therefore relevant as, at present, the Council was the developer. It intended to appoint a development partner (or "delivery partner") under a competitive process but would still be a co-developer. The cost of the additional reports was normally incurred by either the land owner or the developer. In the case of Waterside, the City Council was the land owner and, until a development partner was appointed, the developer. The Council would not be subsidising private-sector developers: when a development partner was appointed, it would be done on terms that ensured value for money for the Council. It was expected that the costs of the additional reports would return to the Council via the returns made on the development of the Waterside site.

RESOLVED that the budget referred to in the report to the meeting be approved for the land investigation works at Chelmer Waterside and that the use of the funds be subject to the approval of the Director of Public Places.

(8.48pm to 8.55pm)

The meeting closed at 8.55pm

Chair



Chelmsford City Council Cabinet

25 January 2022

LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME 2022/23

Report by:

Cabinet Member for Connected Chelmsford

Officer Contact:

Rob Hawes, Revenue and Benefit Services Manager, 01245 606695,
robert.hawes@chelmsford.gov.uk

Purpose

To present for consideration a Local Council Tax Support (LCTS) scheme for 2022/23 to put forward for Full Council approval before 11 March 2022.

Recommendation

That Cabinet recommends to Full Council that the existing LCTS scheme for 2021/22 is adopted, without alteration, as the LCTS scheme for 2022/23.

1. Background

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

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

- 1.2. In 2013/14, the Council decided to reduce the maximum level of CTS which could be awarded to an amount equivalent to 80% of a household's Council Tax liability. This meant that all working age households paid a minimum of 20% of their Council Tax liability. This decision was taken to ensure that scheme expenditure did not exceed the funding provided. Following a reduction in Government grant for 2014/15, the minimum payment was raised to 23% and has remained at that level ever since. Subsequent reductions in Government grants have meant that the scheme expenditure now exceeds any grant received and Chelmsford taxpayers are now contributing to the cost of the scheme. The amount of that contribution cannot be calculated exactly as the direct link between Central Government grant for LCTS was broken in 2014/15 when the specific grant was incorporated into the overall Settlement Funding Assessment.
- 1.3. Eligibility for the LCTS scheme has provided eligibility for a free Hylands car park season ticket with effect from 8 November 2021.

2. Current 2021/22 LCTS scheme summary

Key principles

- 2.1. The key principles of the existing LCTS scheme are as follows:
 - All working age recipients pay a minimum of 23% of their Council Tax liability. Pensioners can receive a maximum of 100% of their Council Tax liability
 - Council Tax liability, for the purpose of calculating entitlement, is restricted to the appropriate Band D level. A working age person in a Band H property will have their LCTS calculated using the Band D amount applicable to the parish area in which they live. A pensioner household receives LCTS based on their actual liability regardless of Band.
 - LCTS is not available to working age households with more than £6,000 in savings. Pensioners can have up to £16,000 in savings before entitlement is removed.
 - Households with other non-dependant adults in them receive reduced amounts of LCTS as the non-dependants are expected to contribute towards the running costs of the household. These contributions depend on the income of the non-dependant. Non-dependant deductions also apply to pensioner households, for whom the level is set by the Government.
 - £10 per week of child maintenance received is disregarded. Any child maintenance paid to a pensioner household is disregarded in full.

- There are additional disregards to earned income to encourage work. This provision is more generous for the working age than for pensioners.
- For self-employed recipients, national minimum wage levels are assumed as income for the purposes of calculating LCTS entitlement if the declared income from self-employment is lower than the minimum wage. This applies after the first year of self-employment.

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

2.3. The Council is required to agree and approve a working age LCTS scheme for 2022/23. It is recommended that the 2021/22 scheme is retained in its current form without amendment. It is possible that the Government may decide to amend the Council Tax Support Prescribed Regulations, affecting either working age or pension age households, after any Council decision. This would be a statutory change and there is no requirement for Cabinet or Full Council to approve it.

3. Scheme Finances

3.1. The Government includes an amount in respect of LCTS scheme expenditure in the annual settlement for Chelmsford City Council, Essex County Council and the Police and Fire authorities. It is the billing authority, Chelmsford City Council, which is responsible for assessing the amount of LCTS payable and reconciling this through the Council Tax collection fund.

3.2. Since the amount of grant in respect of LCTS is no longer separately identified it is not possible to accurately estimate the amount by which LCTS scheme expenditure exceeds the available grant. What is clear is that overall annual amount of Government grant to the precepting bodies (Essex County Council, Chelmsford City Council and Essex Police, Crime and Fire Commissioner) has reduced by £193m since 2013/14, while scheme expenditure has remained relatively constant at around £6.5m per annum until 2019/20. It seems reasonable to assume that the gap between CTS grant amounts and scheme expenditure has risen each year.

3.3. The Covid-19 pandemic and reduction in economic activity caused an increase in caseload numbers in 2020/21 and scheme expenditure rose to £6.873m. Although total Government grants to Essex precepting bodies increased by 3.95% in 2020/21, CTS scheme expenditure rose by 6.6% meaning that the shortfall between CTS grant and expenditure increased once more. During 2021/22, CTS caseload numbers have begun to reduce and CTS expenditure for 2021/22 is currently £6.78m as at the end of December 2021. The amount of LCTS paid to working age households totals £3.53m, with a further £3.25m paid to pensioner households. £1.78m of the working age total is being paid to households receiving minimum levels of income. As the only cost-effective method of recovery available in such cases is a £3.75 per week deduction from benefits, there is a strong likelihood that any attempt to reduce scheme expenditure by reducing the amount of LCTS that is paid would be matched by a comparable fall in collection rates

4. Equality Issues

4.1 When deciding upon a scheme, the Council is required to have due regard to its Public Sector Equality Duties. The Public Sector Equality Duties (PSED) are found in s149 of the Equality Act 2010, which requires public authorities to give due regard to the need to:

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

4.2 An Equality Impact Assessment (EIA) for 2021/22's LCTS scheme is attached for reference at Appendix 1. This will need to be revisited if changes to the scheme are proposed in future years. The EIA identifies impacts upon relevant groups and any mitigations which are in place. It is important that decisions relating to our LCTS scheme are taken with these matters in mind. Although the PSED does not prevent councils from taking decisions which impact adversely on groups with 'protected characteristics', they must ensure that they are not impacted in a worse fashion than non-protected groups.

5. Council Options

5.1 Option 1 – Do nothing and adopt 2021/22's LCTS scheme with no changes for 2022/23

If this option is chosen, the difference between Government grants and the cost of the LCTS scheme will have to be covered by the preceptors, each according to their share of the Council Tax collection fund. It is likely that scheme cost will increase in 2022/23 as a result of increases in Council Tax levels. The only way to reduce scheme expenditure is to make it less generous for working age households. As it is likely that working age households will be disproportionately affected by any adverse economic conditions, reducing the amount of LCTS assistance will increase the impact of higher unemployment or reduced income levels. In these circumstances, it is highly unlikely that Council Tax collection rates would be able to be maintained at a sufficient level to realise all of the savings created by reducing the generosity of the LCTS scheme.

5.2 Option 2 – Amend 2021/22's LCTS scheme to increase or decrease scheme expenditure in 2022/23. Any proposed changes to the scheme must be the subject of a public consultation lasting at least 6 weeks. Consultations with internal stakeholders indicated that there was no desire to make alterations to the 2022/23 LCTS scheme so no public consultations have taken place for consideration.

6. Conclusion

6.1 The LCTS scheme is an important support for low income households. Given the economic impact of the Covid-19 pandemic and the ongoing uncertain economic outlook for 2022/23, it is not considered desirable to reduce the level of support provided by the LCTS scheme and nor do the Council's finances permit any substantial expansion to scheme expenditure by making it more generous. Option 1 maintains the current 2021/22 LCTS scheme unchanged for 2022/23.

List of appendices:

Appendix 1 – Equality Impact Assessment

Background papers:

None

Corporate Implications

Legal/Constitutional: A local scheme must be agreed by Full Council before 11 March 2022. If Cabinet is minded to propose changes to the existing scheme, a public consultation lasting a minimum of six weeks must take place on any proposed change. This paper cannot be deferred to a later meeting as a delay would mean that there would be insufficient time to obtain a ratifying decision at Full Council.

Financial: The exact relationship between reducing LCTS expenditure and Council Tax collection rates is unclear, although in-year collection rates of Council Tax have dropped by 2% since LCTS was introduced in April 2013. 2% equates to a shortfall of £2.5m on an estimated Council Tax debit of £129m in 2021/22, although strong performance on arrears collection in subsequent years has offset this reduction. 2020/21's in-year collection rate was 0.7% lower than 2019/20 due to the fact that the Court Service was not operating, so no enforcement action could take place.

Potential impact on climate change and the environment: None.

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

Personnel: None

Risk Management: None

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

(For new or revised policies or procedures has an equalities impact assessment been carried out? If not, explain why)

Health and Safety: None

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

Other:

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

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

Benefits Operational and Internal Security Policy
Benefits Customer Service Policy

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

A: Assessor Details	
Name of policy / function(s):	Local Council Tax Support scheme with effect from April 2021
Officer(s) completing this assessment:	Robert Hawes
Date of assessment:	18 January 2021
B: Summary Details	
Description of policy, strategy or activity and what it is aiming to do	<input type="checkbox"/> new OR <input checked="" type="checkbox"/> existing (<i>If existing, when was the last assessment?</i> November 2018) <input type="checkbox"/> internal OR <input checked="" type="checkbox"/> external (i.e. public-facing) <input type="checkbox"/> statutory OR <input checked="" type="checkbox"/> non-statutory – parts of the policy will be governed by statute, those affecting pensioners and rules relating to entitlement to persons from abroad for both pensioners and working age
Policy Owner (service)	Revenues and Benefits
Scope: Internal - Service/Directorate/Council wide External – specify community groups	External – applies to any member of the community on a low income requiring assistance with their Council Tax liability

C: Assessment of impact

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

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

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
<p>Age What will the impact be on different age groups such as younger or older people?</p>		<p>The amount of assistance available does vary dependent upon age, although no changes are proposed in this respect for 2021/22.</p>		<p>Pensioners receive additional allowances that ensure that they receive more support than a working age person with the same income. Individuals or households where both members are under 25 will receive less assistance than when one or both members are over 25. This disparity in assistance is a standard feature of all welfare benefit schemes. Pensioner households are entitled to a maximum of 100% of their Council Tax liability. Working age households are entitled to a maximum of 77% of their Council Tax liability</p>	<p>The amendment to the policy proposed for 2021 allows the Council to ensure that working-age households receive the full benefit of any Government policy change intended to increase their income.</p>

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
<p>Disability Consider all disabilities such as hearing loss, dyslexia etc as well as access issues for wheelchair users where appropriate</p>			No changes are proposed to affect people with this characteristic		Additional allowances are already in place for people receiving specified disability benefits. The proposed alteration to the 2021/22 policy could be beneficial depending on the type of changes Government may implement.
<p>Pregnancy and maternity Pregnant women and new and breastfeeding Mums</p>			No changes are proposed to affect people with this characteristic		Households with children receive additional allowances which result in higher entitlements. Chelmsford City Council has not implemented the wider welfare benefit policy which restricts that assistance to the first two children in a household. The amendment to the policy proposed for 2021/22 allows the Council to ensure that working-age households receive the full benefit of any Government policy change intended to increase their income.
<p>Marriage or Civil Partnership Could this policy discriminate on the grounds of marriage or civil partnership</p>			There is no distinction between the treatment of married persons or		The amendment to the policy proposed for 2021/22 allows the Council to ensure that working-age households receive the full benefit of any Government policy change intended to increase their

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
			persons in a civil partnership.		income.
Sex Is the service used by people of both male and female biological characteristics or intersex and are the sexes given equal opportunity?			No distinction is made in the assessment of entitlement as a result of biological gender.		The amendment to the policy proposed for 2021/22 allows the Council to ensure that working-age households receive the full benefit of any Government policy change intended to increase their income.
Gender reassignment Is there an impact on people who are going through or who have completed Gender Reassignment? Additionally, is there an impact on people with different gender identity?			No distinction is made in the assessment of entitlement as a result of gender identity.		The amendment to the policy proposed for 2021/22 allows the Council to ensure that working-age households receive the full benefit of any Government policy change intended to increase their income.
Religion or belief Includes not having religion or belief			No distinction is made in the assessment of entitlement as a result of religious belief.		The amendment to the policy proposed for 2021/22 allows the Council to ensure that working-age households receive the full benefit of any Government policy change intended to increase their income.
Sexual Orientation			No distinction		The amendment to the policy

Characteristic	Positive impact	Could adversely impact	No impact	How different groups could be affected	Actions to reduce negative or increase positive impact
What is the impact on people of different sexual orientation such heterosexual, lesbian, gay or bisexual people?			is made in the assessment of entitlement as a result of sexual orientation.		proposed for 2021/22 allows the Council to ensure that working-age households receive the full benefit of any Government policy change intended to increase their income.
Race Includes ethnic or national origins		Yes		Brexit will remove entitlement from EU nationals without 'settled status'. This is in addition to the restrictions to benefit already in place on non-EU nationals.	This element of the policy is dictated by Government by way of statutory instrument and cannot be amended by the Council.
Are there any other groups who could find it difficult to access or make use of the policy / function? For example: low income / people living in rural areas / single parents / carers and the cared for / past offenders / long-term unemployed / housebound / history of domestic abuse / people who don't speak English as a first language / people without computer access etc.			No		

D: Consultation process, information used to analyse the effects on protected groups/equality and key findings		
Please describe the consultation process and evidence gathered. You may attach copies or links to the data / research you are using.		
1.	<p><u>Consultation/engagement</u> What consultation or engagement has been undertaken regarding this policy? <i>[Please summarise what, when and who was involved]</i></p>	<p>The policy was subject to public consultation between 3/12/20 and 18/01/21. Following analysis of the consultation responses, this impact assessment has been amended and is being considered at Cabinet level and Full Council before the local scheme is finalised.</p>
2.	<p><u>Key findings</u> <i>(Summarise the key findings of your consultation in relation to protected groups as outlined above).</i></p>	<p>The consultation attracted very few responses. However, each of the three respondents identifying themselves as being in one or more of the protected groups agreed that the proposed change in wording should be made, with one respondent suggesting that the change should be more wide-ranging to allow changes in scheme design to be made at any time.</p>
3.	<p><u>Data/Information</u> What relevant data or information is currently available about the customers and employees who may use this service or could be affected by this policy? <i>(For example: equality monitoring, surveys, demographic data, research, evidence about demand/ take-up/satisfaction etc).</i></p> <p>What additional information could be collected which would increase your understanding about the potential impact of the policy? <i>(What involvement or consultation with affected groups is still needed?)</i></p>	<p>Incomes, capital holdings, age, sex and household make-up of existing recipients of Council Tax Benefit recipients are known. Data regarding disability can be inferred from both income and qualification for additional premiums. Data regarding ethnicity, sexual orientation, religious beliefs and language is minimal as these characteristics are not relevant when assessing entitlement. Respondents to the consultation were given the option to provide ethnicity, age, sexual orientation, disability and religious beliefs in addition to their answers.</p> <p>Feedback from customers, voluntary or community groups, advice agencies and residents was sought as part of the consultation.</p>

4.	<p>For existing policies, strategy, activity only: What has changed since the last assessment? <i>(For example: evidence of public concern or complaints / new information has come to light / changes in service provision / changes in service users/ assessed impact on protected groups etc)</i></p>	<p>Reductions in overall grants from central Government are placing pressure on Chelmsford's finances. Councillors are able to decide whether or not to increase expenditure on Local Council Tax Support.</p>
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E: Relevance to the Equality Duty Aims:

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

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

3.	<p>To foster good relations between those who share a protected characteristic and those who do not. If so, how? <i>(This means promoting understanding between different groups and tackling prejudice)</i></p>	<p>This policy is not intended to affect community relations and no such effects have been identified, nor are any anticipated.</p>
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F: Conclusion	
Decision:	Explanation:
<p><input checked="" type="checkbox"/> Continue the policy with no changes <i>[For example: evidence suggests no potential for discrimination / all opportunities have been taken to advance equality.]</i></p>	<p>The recommended change to the policy ensures that no group will face reduced entitlement to CTS as a result of changes to wider Government welfare policies which are intended to increase the income of benefit recipients.</p>
<p><input type="checkbox"/> Continue the policy with adjustments <i>[For example: Low risk of negative impact / actions or adjustments would further improve positives or remove a potential negative impact.]</i></p>	
<p><input type="checkbox"/> Adverse impact but continue <i>[For example: Negative impact has been objectively justified.]</i></p>	
<p><input type="checkbox"/> Suspend or withdraw the policy for further review / consideration of alternative proposals <i>[For example: High risk of negative impact for any group / insufficient evidence / need to involve or consult with protected groups / negative impact which cannot be mitigated or justified / unlawful discrimination etc.]</i></p>	

Approved by:

Lead Officer / Responsible officer:Date:

Senior Manager: ...Robert Hawes.....Date: ...18 January 2021.....

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



Chelmsford City Council Cabinet

25 January 2022

CHELMSFORD CAR PARKING FEES 2022-23

Report by:

Cabinet Member for Sustainable Development

Officer Contact:

Michael Adewole, Parking and Highways Operations Manager,
michael.adewole@chelmsford.gov.uk

Purpose

This report presents the proposed car park fees and charges (off-street) for 2022/23.

Options

Cabinet can approve, reject or amend the recommendations listed below.

Preferred option and reasons

The proposed tariffs will ensure that the Council's car parks continue to operate competitively within the wider off-street parking market in Chelmsford, to effectively manage demand and to generate sufficient income to be able to adequately maintain and re-invest in those facilities.

Recommendations

That the Cabinet approve the proposed car park tariffs as detailed in Appendix A for implementation in April 2022 and recommend them to the Council as part of the budget for 2022-23.

1. Background

- 1.1. In 2020, a two-year pricing strategy was implemented in the car parks, securing the fees and charges up to March 2022.
- 1.2. Income from the Council's car parks is monitored by the Council's Management Team on a monthly basis. This enables any variances against profile to be identified and, if necessary, action to be taken. Current levels of income have been impacted by Covid and have been carefully considered in bringing forward the proposals in this report.
- 1.3. A loss of income totalling approximately £900k is forecasted across all car parks by year-end. This is due to the imposition of the various national lockdowns and the subsequent delay in the lifting of restrictions. Car park usage has gradually increased since the lifting of restrictions in the summer and the Council's financial plans assume that this gradual increase in usage as motorists return to the Council's car parks will continue for another two years.
- 1.4. The Omicron variant of Covid is at the time of drafting this report causing major uncertainty over customer behaviour. The Budget report elsewhere on the agenda assumes car parking income is around 82% of pre-covid levels in 2022/23 and will not return fully due to permanent changes in behaviour by car park users e.g. working from home and internet shopping. The Council over the coming years will need to determine what the new level of demand for car parking will be going forward and review its car parking provision accordingly.
- 1.5. The budget estimates for 2022/23 include the expectation that income from parking will increase from the budgeted £5.2m in 2021/22 to £6.7m in 2022/23.

2. Investment in Council Car Parks

Infrastructure Improvement

- 2.1. In order to ensure the Council retains a strong car park portfolio and continues to provide parking capacity sufficient to meet the needs of a vibrant, mixed City Centre economy, significant investments are being made to enhance and improve the "life" of the car parks whilst also improving the customer experience.
- 2.2. Most recently, a £360,000 investment was made into Townfield Street car park to further enhance the life of the building with waterproofing and resurfacing works.
- 2.3. An additional £150,000 has been invested into new drainage; £36,000 and £88,000 for refurbishing the movement joints in High Chelmer multi-storey car park and £20,000 for the Disabled Refuge Alarm System in Meadows Retail car park.

- 2.4. In terms of running our car park portfolio, operating costs continue to rise, including rates, utility costs, ongoing maintenance and wages. There is also continued pressure to invest in our car parks and new technologies.
- 2.5. As a result of on-going investments, all of the Council's City Centre car parks were reaccredited with 'Park Mark' quality standard in October 2021. The Safer Parking Scheme is a national standard for UK car parks that have low crime and measures in place to ensure the safety of people and vehicles. In addition to this, fourteen of the City Centre car parks are also accredited with the Disabled Parking Award.

Electric Vehicle Charging Points (EVCP)

- 2.6. The Council fully supports low or zero emission vehicles and is taking active steps in encouraging the uptake of electric vehicle usage. The Council has installed electric vehicle charging points (50kW units) in Moulsham Street, Meadows Surface, Baddow Road and Fairfield Road car parks, with plans in place to install more charging points in more City Centre car parks.

3. Strategic Operational Proposal

- 3.1. The provision of public car parks contributes to the achievement of our strategic objective "Promoting Growth" by giving access to shops, businesses and services within the City and providing car parking that is value for money and meets the needs of the users.
- 3.2. For the aforementioned reasons, careful consideration has been given to the increase of car parking fees and charges. Officers have therefore taken the following factors into consideration:
 - Fees and charges should have due regard to the Council's Medium-Term Financial Strategy and should reflect the Council's key priorities.
 - Fees and charges should support the achievement of modal shift away from private car use and to help support the vitality of City Centre.
 - Ensuring that there is adequate and affordable parking for shoppers, visitors, leisure users and all short-stay parkers in the City Centre.
 - Encouraging long-stay parkers to park in the Park and Ride.
 - The impact of City Centre parking on the local highway network.
 - Impending changes and developments within the City.
- 3.3. Furthermore, the report takes into account the impact of Covid and the subsequent recovery of the usage of the car parks as people return to a more normal way of life.
- 3.4. The report considers current and future fees and charges for parking and, following careful consideration of the above-mentioned principles, brings forward a number of proposals. In summary, the proposals are as follows:

4. Short-Stay Proposal

- 4.1. In 2020, 1-hour, 2-hour, 3-hour and 4-hour charging periods were changed, with the intention to encourage shoppers to stay longer in the City Centre, supporting the City's growth as a major retail centre. As part of a benchmarking exercise, the increased fees put them at a similar rate to other operators and local authorities with comparable demographics.
- 4.2. It is expected that City Centre parking demand will continue to increase in the coming years and in order to provide occupancy rates in the region of 85% to ensure efficient operations and continued availability of space for visitors, officers propose an increase to short-stay charges.
- 4.3. The main changes involve increasing all tariffs by 50p with the exception of the following:
 - Freeze the 2-hour tariff period
 - Freeze all 30-minute charges
- 4.4. In addition, to support the Moulsham Street and West End shopping quarter, it is proposed that the 1-hour and 2-hour tariffs are frozen in Moulsham Street and West End car parks.

5. Long-Stay Proposal

- 5.1. Taking account of current usage trends, competitor tariffs and local transportation strategies, it is recommended to increase the long-stay charges as follows:
- 5.2. In station car parks (Townfield Street, Glebe Road and Fairfield Road), the proposal is to increase the tariffs to £9 all day. This cost remains competitive against other similar operated car parks and will ensure that the Season Ticket offered by the Council remains cost-effective.
- 5.3. The usage pattern of the Townfield Street, Glebe Road and Fairfield Road car parks has been reviewed and it is proposed to change the designation of these car parks from long-stay to mixed-stay to help support businesses in this part of the City, as short-stay shopper parking is at a premium in this area.
- 5.4. The outer-City long-stay car parks of Coval Lane, Moulsham Street, Rectory Lane East and West, Waterhouse Lane and Regina Road currently charge £6.50 all day. It is proposed that these are increased to £7.
- 5.5. This tariff still remains above the Park and Ride cost of £3.60 per person and so ensures that this remains a desirable option for those travelling alone in a vehicle.
- 5.6. Waterhouse Lane car park is currently £5 all day and it is proposed that this is increased to £5.50.

- 5.7. Finally, for Baddow Road car park, it is proposed to reduce the all-day tariff from £9.50 to £7 to increase demand and usage of this car park.

6. Evening/weekend Tariff

- 6.1. Taking account of the value provided by the evening tariff when compared to daytime tariffs, but wishing to continue to encourage visitors to the City during the evening, it is proposed to freeze all evening tariffs.
- 6.2. A full list of the proposed tariff changes is set out within Appendix A to this report.

7. Season Tickets and Permits Proposal

- 7.1. The Council currently offers Season Tickets focussed primarily on commuters and workers in the City to park all-day in the car parks listed below. Season Tickets are available on a monthly, quarterly and yearly basis.

- 7.2. It is proposed that increases are applied to the permits as follows:

- Annual 7: increase from £900 to £1,000
- Fairfield Road and Townfield Street: increase from £1,750 to £1,850
- High Chelmer and Meadows Surface: increase from £1,700 to £1,800
- Meadows Retail: increase from £1,150 to £1,250
- West End: increase from £1,200 to £1,300

• Flexible Season Tickets

Our Season Tickets are the best value option for the individual and business customers who need to use a single car park on a regular basis across a range of different time period lengths. To meet the changes in customers' flexible home-office working needs, we propose introducing new Season Ticket options in Fairfield Road, High Chelmer, Meadows Retail and Townfield Street.

• Evening Car Park Permit (Off-Peak Season Ticket)

In order to assist residents in congested areas, there is an opportunity to rebrand the current Resident Car Park Permit and change it to an Evening Car Park Permit. We propose the Council open the permit scheme to a wider client base with the possibility of increasing demand for the scheme. This will allow anyone to park between 5pm and 8am the next day (and all-day Saturdays and Sundays) for £200 per year in any of the Council's surface car parks.

8. Market Trader Permits

- 8.1. The current market traders permit tariffs continue to provide excellent value for money and contribute to a High Chelmer market place. It is proposed that charges for commercial and market vehicles in High Chelmer remain unchanged.

9. Conclusion

- 9.1. The purpose of this tariff review is to ensure that the Council's car parks continue to operate competitively within the wider off-street car parking market in Chelmsford, to effectively manage demand and to generate sufficient income to be able to adequately maintain and re-invest in those facilities.
- 9.2. The pricing strategy as outlined in the report aims to increase net revenue levels and bring in a smarter charging structure that will ensure the car parks are used well and efficiently. Parking patterns will continue to be reviewed and discussed regularly with the Cabinet Member for Sustainable Development.

List of appendices:

Appendix A - Car Park Proposed Tariff 2022 and 2023

Background papers:

None

Corporate Implications

Legal/Constitutional:

If the revised tariffs are approved, the Council will issue a Notice of Variation of the existing fees and charges in accordance with section 35C of the Road Traffic Regulation Act 1984 and with regulation 25 of the Local Authorities Traffic Order (Procedure) (England and Wales) Regulations 1996.

Financial:

Services have been asked to review their current fees and charges to determine whether they are appropriate. This report identifies the recommendations from the review of car parking charges. The Council's budget report for 2022/23 identifies an expected increase in income from the new pricing of £407k above a 3.2% inflationary increase in 2022/23.

Potential impact on climate change and the environment:

There is the potential to help encourage use of Park and Ride facilities and reduce traffic congestion and improve air quality and road safety on the road network in the City, especially during peak periods. This will link into the Council's Climate Change Action Plan.

Contribution toward achieving a net zero carbon position by 2030:

Positive

Personnel:

None

Risk Management:

The recommended strategy is based on managing risk at a time when there will be many changes to the City's car parking offer. By providing some stability on fees and charges, we aim to maintain our customer base.

Equality and Diversity:

(For new or revised policies or procedures has an equalities impact assessment been carried out? If not, explain why)

- There is no perceived impact on end users.
- Blue Badge holders can park free of charge in the Council's car parks for up to 3 hours.

Health and Safety:

None

Digital:

None

Other:

None

Consultees:

Legal & Democratic Services Manager
Section 151 Officer

Relevant Policies and Strategies:

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

- Corporate Plan
Strategic Overview for Car Parks
-

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Short Stay – Zone A

High Chelmer Multi-Storey Meadows Retail Multi-Storey Meadows Surface Parkway	Charging Period		Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Sunday (6am to 6pm)	Not Exceeding	1 hour	1.50	2.00	2.00
		2 hours	3.00	3.00	3.00
		3 hours	3.70	4.20	4.20
		4 hours	5.20	5.70	5.70
		5 hours	8.00	8.50	8.50
		6 hours	9.00	9.50	9.50
		7 hours	11.00	11.50	11.50
		8 hours	15.00	15.50	15.50
	Exceeding	8 hours	18.00	18.50	18.50
Sunday (6am to 6pm)	Not Exceeding	1 hour	1.50	2.00	2.00
		2 hours	3.00	3.00	3.00
		3 hours	3.70	4.20	4.20
	Exceeding	3 hours	5.20	5.50	5.50
Evening/Overnight Monday to Saturday (6pm to 6am)	Not Exceeding	1 hour	2.00*	2.00*	
		2 hours			
	Exceeding	2 hours			
Market Traders and Service Roads: High Chelmer, Monday to Saturday (6am to 10pm)			4.00	4.00	4.00
Vehicles release from a locked car park**			50.00	50.00	50.00
Season Ticket: High Chelmer and Meadows Surface	Annual		1700.00	1800.00	1800.00
Season Ticket: Meadows Retail Monday to Friday			1150.00	1250.00	1250.00
Season Ticket: Meadows Retail Monday to Sunday			1465.00	1565.00	1565.00
Resident Car Park Permit			350.00	200.00	200.00

*This is a flat fee that applies from 6pm to 6am.

**This applies from 10pm to High Chelmer and Meadows Retail Multi-Storeys.

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Short Stay – Zone A

Riverside Waterloo Lane 1 Waterloo Lane 2 Waterloo Lane 3	Charging Period		Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Sunday (6am to 6pm)	Not Exceeding	30 mins	0.50	0.50	0.50
		1 hour	1.50	2.00	2.00
		2 hours	2.80	2.80	2.80
		3 hours	3.50	4.00	4.00
		4 hours	5.00	5.50	5.50
		5 hours	8.00	8.50	8.50
		6 hours	9.00	9.50	9.50
		7 hours	11.00	11.50	11.50
	8 hours	15.00	15.50	15.50	
	Exceeding	8 hours	18.00	18.50	18.50
Evening/Overnight Monday to Sunday (6pm to 6am)	Not Exceeding	30 mins	0.50	0.50	0.50
	Exceeding	30 mins	1.50	1.50	1.50
Resident Car Park Permit	Annual		350.00	200.00	200.00

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Mixed Stay – Zone B

Baddow Road		Charging Period	Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £	
Monday to Sunday (24 hours a day)		Not Exceeding	1 hour	1.50	2.00	2.00
			2 hours	2.80	2.80	2.80
			3 hours	3.50	4.00	4.00
Monday to Sunday	1-Day Ticket*	Not Exceeding	9.50	7.00	7.00	
	2-Day Ticket*		19.00	14.00	14.00	
Evening/Overnight Monday to Sunday (6pm to 6am)			1.00	1.00	1.00	
Season Ticket (Annual 7)		Annual	850.00	1000.00	1000.00	
Resident Car Park Permit			350.00	2000.00	200.00	

*Buying an advance ticket for one day or more does not guarantee you a parking space.

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Long Stay – Zone A

Fairfield Road Glebe Road Townfield Street Multi-Storey	Charging Period		Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Friday (5:30am to 6pm)	Not Exceeding	1 hour	1.50	2.00	2.00
		2 hours	-	3.00	3.00
		3 hours	-	4.00	4.00
	1-Day Ticket* (5:30am to 11pm)		8.50	9.00	9.00
	2-Day Ticket* (5:30am to 11pm)		17.00	18.00	18.00
Saturday and Sunday (5:30am to 6pm)			2.50	3.00	3.00
Evening/Overnight Monday to Sunday (6pm to 5:30am)			2.00	2.00	2.00
Vehicles release from a locked car park**			50.00	50.00	50.00
Season Ticket	Annual		1750.00	1850.00	1850.00
Resident Car Park Permit			350.00	200.00	200.00

*Buying an advance ticket for one day or more does not guarantee you a parking space.

**This applies from 11pm to Townfield Street Multi-Storey.

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Long Stay – Zone B

Coval Lane Rectory Lane East Rectory Lane West	Charging Period		Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Friday (08.00 to 23.59 hrs)	Not Exceeding	30 mins	0.50	0.50	0.50
	All Day		6.50	7.00	7.00
Saturday & Sunday (08.00 to 23.59 hrs)	Not Exceeding	30 mins	0.50	0.50	0.50
	All Day		2.00	2.50	2.50
Evening/Overnight Monday to Sunday (17.00 to 05.59 hrs)			1.00	1.00	1.00
Season Ticket (Annual 7)	Annual		900.00	1000.00	1000.00
Resident Car Park Permit			350.00	200.00	200.00

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Mixed Stay – Zone C

Moulsham Street	Charging Period		Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Sunday (08.00 to 17.00 hrs)	Not Exceeding	30 mins	0.50	0.50	0.50
		1 hour	1.50	1.50	1.50
		2 hours	2.00	2.00	2.00
		3 hours	3.00	3.50	3.50
	Exceeding	3 hours	6.50	7.00	7.00
Evening/Overnight Monday to Sunday (17.00 to 05.59 hrs)			1.00	1.00	1.00
Season Ticket (Annual 7)	Annual		900.00	1000.00	1000.00
Resident Car Park Permit			350.00	200.00	200.00

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Long Stay – Zone C

Regina Road	Charging Period		Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Friday (08.00 to 23.59 hrs)	All Day		6.50	7.00	7.00
Saturday and Sunday (08.00 to 23.59 hrs)	Not Exceeding	1 hour	1.50	2.00	2.00
		2 hours	2.50	2.50	2.50
		3 hours	3.50	4.00	4.00
	Exceeding	3 hours	5.00	5.50	5.50
Evening/Overnight Monday to Sunday (17.00 to 05.59 hrs)			1.00	1.00	1.00
Season Ticket (Annual 7)	Annual		900.00	1000.00	1000.00
Resident Car Park Permit			350.00	200.00	200.00

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Long Stay – Zone D

Waterhouse Lane	Charging Period	Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Friday (08.00 to 23.59 hrs)	Day	5.00	5.50	5.50
Market Traders and Service Roads: Monday to Friday (6am to 10pm)		4.00	4.00	4.00
Season Ticket (Annual 7)	Annual	900.00	1000.00	1000.00
Resident Car Park Permit		350.00	200.00	200.00

APPENDIX A
Car Park and Parking Places Tariff 2022 and 2023 Proposed
Short Stay – Limited Waiting

West End	Charging Period		Existing £	2022 Proposed (Any changes in bold font) £	2023 Proposed (Any changes in bold font) £
Monday to Sunday (08.00 to 17.00 hrs)	Not Exceeding	30 mins	0.50	0.50	0.50
		1 hour	1.50	1.50	1.50
		2 hours	2.00	2.00	2.00
		3 hours	3.00	3.50	3.50
Evening/Overnight Monday to Sunday (17.00 to 05.59 hrs)			1.00	1.00	1.00
Business Permit	Annual		1150.00	1300.00	1300.00



Chelmsford City Council Cabinet

25 January 2022

First Homes Planning Advice Note – Consultation Feedback and Proposed Changes

Report by:

Cabinet Member for Sustainable Development

Officer Contact:

Liz Harris-Best, Principal Housing Implementation and Strategy Officer, liz.harris-best@chelmsford.gov.uk, 01245 606378

Purpose

To present feedback from consultation on the Council's First Homes Planning Advice Note; and seek approval for proposed changes and the publication of the Note.

Options

1. Cabinet agrees the proposed changes to the Planning Advice Note attached at Appendix 3 of this report and approves the publication of the First Homes Planning Advice Note in accordance with those changes, pending any subsequent minor textual, presentation or layout amendments to the final version.
2. Cabinet do not agree the proposed changes to the Planning Advice Note attached at Appendix 3 of this report and approve the publication of the First Homes Planning Advice Note without the changes, pending any subsequent minor textual, presentation or layout amendments to the final version.

3. Cabinet does not approve the publication of a First Homes Planning Advice Note that clarifies the City Council's approach to the National Planning Policy approach to and requirement to provide First Homes.

Preferred option and reasons

Option 1 – to agree the proposed changes to the Planning Advice Note attached at Appendix 3 of this report and approve the publication of the First Homes Planning Advice Note in accordance with those changes, pending any subsequent minor textual, presentation or layout amendments to the final version.

The First Homes Planning Advice Note makes clear the City Council's approach to First Homes and the amendments clarify the Council's approach when a developer chooses to provide a larger discount from market value than that required by the Council; as well as the prioritisation of different types of affordable housing through developer contributions.

Recommendations

That the Cabinet approve the First Homes Planning Advice Note set out at Appendix 1 of this report with the changes set out in Appendix 3, to come into effect from 26 January 2022.

1. Introduction

- 1.1. This report follows the technical consultation on the Draft First Homes Planning Advice Note set out in Appendix 1. It reports on the feedback received from the consultation (Appendix 2). It recommends the publication of the First Homes Planning Advice Note, subject to some amendments following feedback received (Appendix 3).

2. Background

- 2.1. On 24th May 2021, the Government published a Written Ministerial Statement that set out plans for delivery of a new type of affordable home ownership product called First Homes.
- 2.2. To support the future development of First Homes, the Government also set out changes to national planning policy. National planning policy now requires that a minimum of 25% of all affordable housing units secured through developer contributions are delivered as First Homes.

- 2.3. Elements of the national criteria applying to First Homes, and the purchasers of First Homes, are fixed while some can be amended by local authorities. As this is a new national requirement, there is not a policy in Chelmsford's Local Plan, hence the preparation of and consultation on a Planning Advice Note.
- 2.4. The First Homes Written Ministerial Statement also introduced a First Homes exceptions site policy to encourage First Homes-led development on land that is not currently allocated for housing.
- 2.5. Planning Advice Notes support the implementation of the Chelmsford Local Plan and Supplementary Planning Documents by providing clarity in response to common queries, changes in national policy or updated evidence. These are published on the Council's website.

3. Consultation

- 3.1. The Draft First Homes Planning Advice Note which was the subject of consultation is attached at Appendix 1 and was approved for consultation by Chelmsford Policy Board on the 14 October 2021.
- 3.2. As the Draft First Homes Planning Advice Note proposed a local response to new national planning policy, stakeholders were invited to give their views on the draft through a targeted consultation.
- 3.3. The consultation ran for four weeks from 10.00am on Tuesday 26 October 2021 until 4.00pm on Wednesday 24 November 2021.

4. Feedback from Consultation

- 4.1. The consultation received five representations from three different organisations. Two were from developers via their nominated planning agents, with additional support from a firm of Chartered Surveyors. One response was received from a locally based Registered Social Landlord.
- 4.2. A feedback report, including a summary of the representations received can be found at Appendix 2 of this report. This sets out who and how we consulted on the Note and the feedback received from the consultation. The feedback is set out in document order and contains details of each representation and the Council's comments and/or change proposed because of those comments, where considered appropriate.

- 4.3. The developer responses were not supportive of the approach to seek a financial contribution in lieu of the 5% difference in the discount applied to shared ownership housing being applied to the 9% First Homes.
- 4.4. Clarification was sought from one developer on the Council's approach to protecting the affordable housing for rent, which includes affordable or social rented dwellings.
- 4.5. All respondents sought clarification regarding the Council's approach if the discount from market value is greater than the 30% minimum required by the Council.

5. Proposed Changes

- 5.1. A schedule of proposed changes is found at Appendix 3 of this report. This condenses the proposed changes set out in the feedback report as well as some minor additional changes proposed. Changes are shown as underlined where additional text is proposed.
- 5.2. Following agreement of this schedule of proposed changes, a final version of the document will be produced and published on the Council's website as soon as practicable.

6. Conclusions

- 6.1. The consultation on the First Homes Planning Advice note received five representations from three different organisations. A schedule of proposed changes is set out in Appendix 3 of this report in response to these comments.
- 6.2. It is recommended that Cabinet agrees the proposed changes to the Planning Advice Note attached at Appendix 3 of this report and approves the publication of the First Homes Planning Advice Note in accordance with those changes, pending any subsequent minor textual, presentation or layout amendments to the final version.

List of appendices:

Appendix 1 Consultation Draft First Homes Planning Advice Note
Appendix 2 Summary Feedback from Consultation and Officers' Responses
Appendix 3 Proposed Changes to the First Homes Planning Advice Note

Background papers:

Equality Impact Assessment of Draft First Homes Planning Advice Note.
National Planning Policy Framework 2021
National Planning Policy Guidance (as amended)

Corporate Implications

Legal/Constitutional:

National Planning Policy Guidance states that there should be a section 106 agreement securing the necessary restrictions on the use and sale of a First Home, and a legal restriction on the title of the property to ensure that these restrictions are applied at each future sale. In most cases, these planning obligations should be entered into in the usual way prior to the grant of planning permission. The Government has stated that it will publish template planning obligations for this purpose, which the local planning authority can use as a basis for agreements prepared locally. At the time of writing this report, we await the publication of the national template.

Financial:

The First Homes Planning Advice Note seeks to maintain the value of the affordable housing planning contribution assessed in the Local Plan Viability Assessment and applied in the Chelmsford Local Plan under Policy DM2 A.

Potential impact on climate change and the environment:

First Homes would need adhere to the Council's sustainable development policies within the adopted Local Plan and the guidance within the Council's Making Places SPD.

Contribution toward achieving a net zero carbon position by 2030:

First Homes will need to comply with relevant policies and Building Regulations which currently are working towards Net Zero Ready by 2025.

Personnel:

There are no Personnel issues arising directly from this report.

Risk Management:

There are no Risk Management issues arising directly from this report.

Equality and Diversity:

The Local Plan was subject to an Equality and Diversity Risk Assessment. A further assessment has been undertaken on this Planning Advice note.

Health and Safety:

There are no Health and Safety issues arising directly from this report.

Digital:

There are no IT issues arising directly from this report.

Other:

Consultees:

Housing Working Group
Development Management
Legal Services

Relevant Policies and Strategies:

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

Chelmsford Local Plan 2013-2036, 2020

Planning Obligations Supplementary Planning Document, 2021

Making Places Supplementary Planning Document, 2021

Our Chelmsford, Our Plan



Chelmsford Local Plan

First Homes

Planning Advice Note
Consultation Draft

October 2021

First Homes: Planning Advice Note

1. Background

1.1 On 24th May 2021, the Government published a Written Ministerial Statement¹ that set out plans for delivery of a new type of affordable home ownership product called First Homes. To support the future development of First Homes, the Government also set out changes to national planning policy.²

1.2 First Homes are a specific kind of discounted market sale housing which must:

- be discounted by a minimum of 30% against the market value; and
- can only be sold to a person or persons meeting the First Homes eligibility criteria (see below); and
- after the discount has been applied, the first sale must be at a price no higher than £250,000 outside of London; and
- on the first sale, a First Home will have a restriction registered on the title of the property at HM Land Registry to ensure the discount (percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer.

1.3 This is the minimum criteria a First Home must meet and would be considered to meet the definition of 'affordable housing' for planning purposes.

1.4 The national eligibility criteria for purchasers of First Homes includes the following:

- a purchaser (or, if joint purchase, all the purchasers) of a First Home should be a first-time buyer³; and
- purchasers of First Homes, whether individuals, couples or group purchasers should have a combined annual household income not exceeding £80,000 in the tax year immediately preceding the year of purchase; and
- a purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic Law) to fund a minimum of 50% of the discounted purchase price; and
- the First Home must be the buyer's main residence with restrictions on lettings being applied.

1.5 The First Homes Written Ministerial Statement does give local authorities or neighbourhood planning groups discretion to:

- Require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this.
- Set lower price caps if they can demonstrate a need for this.
- Apply time limited eligibility criteria in addition to the national criteria described above, for example a local connection test, or criteria based on employment status.

¹ <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>

² <https://www.gov.uk/guidance/first-homes>

³ As defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.

1.6 First Homes are the Government's preferred discounted market tenure and should account for a minimum 25% of affordable housing secured through planning obligations.

1.7 Chelmsford's Local Plan (Policy DM2 A) requires the provision of 35% of the total number of residential units to meet the national definition of 'affordable housing' within all new residential developments that comprise 11 or more residential units.

1.8 The reasoned justification for Policy DM2 A sets out that to meet housing need the 35% affordable housing policy requirement must incorporate 22% affordable housing for rent, provided as either social or affordable rented housing. The remaining 13% required to meet demand for affordable home ownership and comply with national planning policy, which requires that at least 10% of homes should be available for affordable homes ownership, was determined through the Local Plan Viability Study. It was assumed to be provided as shared ownership housing where buyers purchase a share in a home and pay a below market rent on the share that they do not own.

1.9 The First Homes Written Ministerial Statement also introduced a First Homes exceptions site policy to encourage First Homes-led development on land that is not currently allocated for housing, replacing the entry-level exception site policy.

1.10 First Homes exception sites should be on land which is not already allocated for housing and should:

- a) comprise First Homes (as defined in the Written Ministerial Statement); and
- b) be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in the National Planning Policy Framework⁴, and comply with any local design policies and standards.

1.11 The First Homes exceptions site policy also allows a small proportion of market homes on the site at the local authority's discretion.

2. Purpose

2.1 The purpose of this advice note is to:

- 2.1.1. Clarify what a policy compliant affordable housing requirement on developments of 11 or more dwellings is following the implementation of the First Homes Written Ministerial Statement.
- 2.1.2 Set out the City Council's position regarding those elements of the National criteria that can be amended by local authorities relating to the homes and purchasers of First Homes.
- 2.1.3 Clarify the City Council's interpretation and position regarding the terms 'proportionate to the settlement' and 'small proportion of market homes' in relation to First Homes exceptions sites.

2.2 This Planning Advice Note will be reviewed in line with the review of the Local Plan, which is timetabled to commence in 2022.

⁴ They should not be permitted in National Parks, Areas of Outstanding Natural Beauty, land designated as Green Belt, or designated as rural under s.157 of the Housing Act 1985.

3. Policy Compliant Affordable Housing Mix

3.1 A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes, subject to the transitional arrangements (see below).

3.2 Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the Local Plan.

3.3 The remainder of the affordable housing tenures should be delivered in line with the proportions set out in Local Plan policy.

3.4 The First Homes Planning Practice Guidance states that a policy compliant planning application should seek to capture the same amount of value as would be captured under a local authority's up-to-date published policy. It sets out that where a plan viability assessment shows the amount of value captured, this allows the total value captured under the policy to be calculated. This value can then be reallocated to a different affordable housing mix under the new policy⁵.

3.5 Currently the 35% affordable housing policy requirement consists of 63% affordable housing for rent and 37% affordable home ownership – assumed to be provided as shared ownership housing. As the 25% First Homes requirement can be accounted for within the 37% affordable home ownership element of the contribution, or 13% total affordable home ownership requirement, from the 28 June 2021 (where transitional arrangements do not apply) the following affordable housing contribution will be considered policy compliant:

- **At least 9% of the total number of residential units on new residential developments of 11 or more residential units will be required as First Homes as this equates to 25% of the affordable housing requirement.**
- **4% of the total number of residential units on new residential developments of 11 or more residential units will be required as Shared Ownership Housing to continue to meet demand for affordable home ownership homes and from purchasers that do not meet the qualification criteria applied to First Homes.**
- **22% of the total number of residential units on new residential developments of 11 or more residential unit will be required as affordable housing for rent as set out in the Local Plan.**

3.6 To ensure a compliant planning application captures the same amount of value as would be captured under the Local Plan:

- **First Homes will be required at the 30% discount against the market value and the national price cap of £250,000 will apply.**

3.7 The Local Plan Viability Study assumed a larger discount would apply to shared ownership housing – 35% from the market value rather than 30%. Therefore, to maintain the same overall value for the affordable home ownership contribution in addition to the provision of 9% of the total number of residential units on new residential developments of 11 or more residential development being provided as First Homes; **a financial contribution in lieu of the 5% difference in the discount applied to shared ownership will be applied to the 9% First Homes to meet the priorities identified in the Housing Strategy.**

⁵ First Homes Planning Practice Guidance, Paragraph: 014 Reference ID: 70-014-20210521

3.8 The value of the 5% contribution has been calculated using the same market values applied in the Local Plan Viability Study, which are also set out in Table 5 of the Planning Obligations Supplementary Planning Document:

Table 1 First Homes Financial Contribution

Dwelling type	Market Value per sqm	5% of market value per sqm
Flat	£4,931	£247
House	£4,046	£202

3.9 A worked example of a greenfield site of 100 homes with 35% affordable housing using the size and mix of accommodation indicated in Local Plan Policy DM1 for market housing, the size requirement for affordable housing for rent set out in the Strategic Housing Market Assessment and the price caps for First Homes on initial sale, is provided in Table 2 below:

Table 2 Worked Example

Total Residential Dwellings	Size Sqm ⁶	Market Housing Dwellings	Affordable Housing For Rent Dwellings	First Homes Dwellings	First Homes Financial Contribution £'s	Shared Ownership Dwellings	Total
1 bed flat	50	4	5	4	4 x 50 = 200 200 x £247 = £49,400		13
2 bed flat	70	6	5	5	5 x 70 = 350 350 x £247 = £86,450		16
2 bed house	79	12	7			2	21
3 bed house	93	30	3			2	35
4 bed house	106	13	2				15
Total		65	22	9	£135,850	4	100

3.10 The affordable housing contribution in the worked example would therefore consist of:

- 9 First Homes dwellings and a financial contribution towards affordable housing of £135,850.
- 4 Shared Ownership dwellings.
- 22 affordable dwellings for rent.

4. Local Eligibility Criteria

4.1 As part of planning obligations secured through section 106 agreements, local authorities can apply eligibility criteria to First Homes in addition to the national criteria described above. In Chelmsford, the following additional local criteria will apply to all First Homes on initial sales and resales for a period of 3 months from when a home is first marketed:

⁶ The floor areas used to calculate the sum in Table 2 are illustrative and reflect the minimum gross internal floor areas required for affordable housing for rent. They may be lower for affordable housing for home ownership but must still comply with Nationally Described Space Standards, as referenced in Policy DM26 of the Local Plan.

- **Households with an adult that at the time of marketing the First Home lives or works⁷ in the administrative area of Chelmsford City Council; or**
- **Households with an adult that at the time of marketing the First Home is an essential local worker as defined in the National Planning Policy Framework⁸.**

4.2 If a suitable buyer has not reserved a home after 3 months, the eligibility criteria will revert to the national criteria to widen the consumer base.⁹

4.3 In accordance with national Planning Practice Guidance, the local eligibility criteria will be disapplied for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their services) and veterans within 5 years of leaving the armed forces.

5. First Homes Exceptions Sites

5.1 The First Homes Written Ministerial Statement and associated planning guidance allows for First Homes exceptions sites to come forward on unallocated land outside of a development plan so long as it meets the criteria set out above. As well as being adjacent to existing settlements, the criteria states that these sites must be 'proportionate in size' to the existing settlements.

5.2 National Planning Practice Guidance states that for decision making, what constitutes a proportionate development will vary depending on local circumstances and encourages local authorities to set policies which specify their approach to determining the proportionality of First Homes exceptions site proposals.

5.3 Until the review of the Local Plan, Chelmsford City Council will consider First Homes exceptions site proposals to be 'proportionate' to an existing settlement **when the total size of the proposed development area is not greater than whichever is the lower of:**

- **either 1 hectare or 5% of the measurement (in hectares) of the area within the existing settlement's Defined Settlement Boundary.¹⁰**

5.4 These accords with the current National Planning Practice Guidance on Entry-level exception sites, which First Homes exceptions sites have replaced, but provides further clarity on the measurement of the existing settlement in hectares and definition of the existing settlement to be that of the area within the boundary of the relevant existing Defined Settlement which the proposed First Homes exceptions site would be located adjacent to.

⁷ To qualify at least one prospective purchaser must be contracted to work with a company based in Chelmsford on either a full or part time basis.

⁸ Annex 2 of the National Planning Policy Framework (2021) defines 'Essential local workers as public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers.'

⁹ Rural exception sites delivered through Local Plan Policy DM2 (B), which are only allowed when there is a clearly identified need in the Parish in which they are located, will continue to have a local eligibility criterion that favours residents with a defined connection to the Parish for a set period of time.

¹⁰ The existing Defined Settlement boundaries outside of the Greenbelt as listed in Policy S7 – The Spatial Strategy of the Local Plan and include one of the following Chelmsford, South Woodham Ferrers, Bicknacre, Boreham, Broomfield, Danbury, Great Leighs, East Hanningfield, Ford End, Great Waltham, Little Waltham, Rettendon Place, Woodham Ferrers, Chatham Green, Good Easter, Howe Green, Howe Street, little Baddow, Rettendon Common and Sandon.

5.5 The First Homes exceptions site policy also allows a small proportion of market homes on the site at the local authority's discretion. The circumstances in which this would be deemed acceptable are similar to those currently set out in Local Plan Policy DM2 B v and vi, although the percentage permissible has been reduced because the level of cross-subsidy required to help deliver First Homes, compared to affordable housing for rent normally provided on rural exception sites, would be lower.

5.6 The starting point, as with Policy DM2 B, is that market homes are not required, especially given First Homes are not required to be discounted beyond the 30% minimum, however:

Where it can be demonstrated to the satisfaction of the Council that market housing is essential to cross-subsidise the delivery of First Homes on First Homes exceptions sites:

- **the proportion of market housing must not exceed 20% of the total number of homes; and**
- **the market and affordable homes must not be distinguishable in design and quality.**

5.7 National Planning Policy Guidance allows small quantities of affordable housing products for one or more other form of affordable housing on a proposed First Homes exceptions site where evidence suggests that a significant local need exists. This evidence can be in the form of a local Housing Needs Assessment or the local authority Housing Register.

5.8 As Chelmsford City Council has significant local need for more affordable housing for rent to meet the needs of households on the Council's Housing Register, we expect **at least 25% of First Homes exceptions sites to provide affordable housing for rent to meet the needs of those households in the greatest housing need on the Council's Housing Register.**

6. Transitional Arrangements

6.1 National Planning Practice Guidance sets out that the First Homes policy requirement does not apply to decision making for the following:

- sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021;
- applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 28 March 2022; and
- sites where neighbourhood plans are adopted/made under the transitional arrangements - submitted for examination¹¹ before 28 June 2021 or have reached publication stage¹² and subsequently submitted for examination by 28 December 2021.

6.2 These transitional arrangements also apply to permissions and applications for entry-level exception sites.

6.3 The First Homes requirement does not apply to applications made under section 73 of the Town and Country Planning Act 1990 to amend or vary an existing planning permission unless the amendment or variation in question relates to the proposed quantity or tenure mix of affordable housing for the development.

¹¹ Regulation 15 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans.

¹² Regulation 14 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans.

7. Key Documents

Chelmsford Local Plan (2020)

7.1 Policy DM2 sets out the affordable housing and rural exceptions site policies.

7.2 Paragraph 8.19 sets out that any proposal that includes market housing on rural exceptions sites must include robust, independently prepared and audited viability assessment of the proposed development, prepared on an open book basis. The extent of the funding gap to be bridged in order for the proposal to be viable, including the income from cross-subsidy generated through open-market sales that will assist in creating the additional scheme revenue that can fund the affordable housing on the site without requiring additional public subsidy, must be clearly set out.

Planning Obligations SPD (2021)

7.3 Section 5 of the Planning Obligations SPD provides guidance on the implementation of the Council's affordable housing planning obligations.

Emerging Chelmsford Housing Strategy (2021)

7.4 The emerging Chelmsford Housing Strategy 2022-2025, notes that currently the Council is at a critical stage of being at risk of being unable to meet its statutory duties to some of those in most urgent need of larger, affordable homes for rent. A priority for action is therefore the increase in the supply of affordable homes for rent, with a focus on larger dwellings.

APPENDIX 2: CHELMSFORD CITY COUNCIL FIRST HOMES PLANNING ADVICE NOTE FEEDBACK REPORT

Introduction

The First Homes Planning Advice Note has been produced to assist in the implementation of the City Council's Local Plan policies to set out a clear position to developers, landowners and stakeholders, following the Government's publication of a Written Ministerial Statement on the 24 May 2021.

Preparation of the First Homes Planning Advice Note

The drafting of this Planning Advice Note commenced in May 2021 with an informal consultation with a range of internal City Council officers including those from:

- Development Management
- Housing Services
- Inward Investment and Economic Growth
- Legal Services

Consultation with Members of the Housing Working Group also took place.

Initially officers and Members had input into the proposed content and format of the Note. When drafted, officers and Members were given the opportunity to comment on the text and relevant changes were then incorporated into the consultation draft.

The Draft First Homes Planning Advice Note was discussed and approved for consultation by Chelmsford Policy Board on the 14th October 2021.

All the above consultees assisted in the structure and content of the consultation document

Who and how we formally consulted

The formal consultation took place between **10am Tuesday 26 October 2021 until 4pm on Wednesday 24th 2021.**

The Council issued consultation notifications to local Parish and Town Councils and all Registered Providers, Developers/their agents and Housing Strategy contacts/organisations/individuals on the Local Plan consultation mailing list, totalling 299 different consultees.

From Tuesday 26 October 2021, the draft First Homes Planning Advice Note were made available online at: www.chelmsford.gov.uk/planningpolicyconsult. A dedicated web page was also set up on the Council's website containing detailed information about the consultation.

Paper copies were able to be viewed at the City Council's Customer Service Centre, Civic

Centre, Duke Street, Chelmsford, CM1 1JE, Monday to Friday 10.00am to 4.00pm.

In accordance with the Council's Statement of Community Involvement (SCI) the Council published a Statement of Representations alongside the consultation, advising where and when comments could be made and alerting people to the consultation through the Council webpages. This was posted on the Council's website and sent to all those consulted. It also included details of how to make comments on our dedicated consultation portal.

The consultation portal provided a web-based feedback form to add comments to. A pdf form was also available from the Council's website to download and complete.

Comments were able to be made in the following ways:

Online: www.chelmsford.gov.uk/planningpolicyconsult

By email: planning.policy@chelmsford.gov.uk

By post: Spatial Planning Services, Civic Centre, Duke Street, Chelmsford, Essex, CM1 1JE

By hand: Monday to Friday 10.00am to 4.00pm - Customer Service Centre, Civic Centre, Duke Street, Chelmsford, CM1 1JE

Number of comments received

5 representations were received from 3 different consultees. These are summarised in the table below. It should however be noted that where one representation refers to multiple sections/paragraphs within the document the comments made in the representation has been split and set against the relevant section/paragraph against the document to aid in the consideration of the representations. Therefore, the same representation number may appear multiple times in the table below.

Representations received from 3 different consultees

Please note these are not verbatim comments these are available at [.. add link once published](#)

Where one representation refers to multiple sections/paragraphs within the document the comments made in the representation has been split and set against the relevant section/paragraph against the document to aid in the consideration of the representations. Therefore, the same representation number may appear multiple times in the table below.

Name	Page	Paragraph/ table/ fig ref	Summary of Comments/Proposed change	Council comments	Agree Change Y/N
Redrow/Barton Wilmore	-	-	The document does not make it clear what its status is, or will be, in the hierarch of planning considerations within the context of s38(6) of the Planning and Compulsory Purchase Act 2004. The status of this document, and therefore the weight to be applied to it, should be made clear and justified within the context of s38(6).	<p>The Council has published a series of planning advice notes in response to common queries, updated evidence, and changes in national policy. Planning Policy Advice Notes supplement advice provided in Supplementary Planning Documents and this is explained on the website – both the consultation and web pages that host the published notes.</p> <p>Because the draft First Homes Planning Advice Note is the first to respond to changes in national planning policy, the Council took the decision to consult on the draft document before making the decision to adopt it as formal planning advice.</p> <p>The purpose of any planning advice note is to provide clear and consistent advice to enable landowners and developers to best understand the Council’s position on matters where local discretion is allowed for in national planning policy.</p>	N
Countryside Zest/Ptarmigan Land	-	-	The Advice note appears to limit the discount at 30% in Chelmsford and does not allow higher discounts of 40% or 50% as allowed under Government Guidance. Is this correct or are there incidents where higher discounts would be allowed in Chelmsford and if so, under what circumstances?	<p>National Planning Policy Guidance states that the discount must be a <u>minimum</u> of 30% against market value. Local Authorities have discretion to <u>require</u> a higher discount of either 40% or 50% if they can demonstrate a <u>need</u> for this.</p> <p>The Strategic Housing Market Assessment (SHMA) Update reviewed a range of affordable housing products available to meet housing need. It calculated a <u>need</u> for 22% of the overall housing to be provided as either social or affordable rented housing.</p> <p>Figure 5.1b of the SHMA Update shows no annual net need for shared ownership housing assessed at a 30% equity share.</p> <p>The SHMA Update identified a potential <u>demand</u> for affordable home ownership housing at 16% of overall housing supply but all households identified as forming part of this demand for affordable home ownership would also be able to afford entry-level home ownership.</p> <p>Where major development involving the provision of housing is proposed, national planning policy requires (with some exceptions) at least 10% of homes to be available for affordable home ownership.</p> <p>The Local Plan Viability Study including the CIL Viability Review (Local Plan Viability Assessment) incorporated a series of assumptions including 35% affordable housing consisting of 33% shared ownership and 67% affordable rent housing.</p>	Y

Name	Page	Paragraph/ table/ fig ref	Summary of Comments/Proposed change	Council comments	Agree Change Y/N
				<p>Given there is a clear distinction between the need for affordable housing for rent, and no net need identified for a much more heavily discounted affordable home ownership product in the SHMA Update; the Council does not consider there is evidence to require a higher discount.</p> <p>National Planning Policy requires a minimum of 25% of First Homes to be secured and that social rent should be delivered in the same percentage as set out in the local plan. Paragraph 8.11 of the Chelmsford Local Plan states that 22% overall housing should provide as either social or affordable rented accommodation therefore the 22% affordable housing for rent contribution must be provided at this same percentage.</p> <p>If developers choose to discount First Homes beyond the minimum 30% the Council and national planning policy requires, they must still provide the 22% affordable housing for rent on new residential development of 11 or more residential units, as set out in the Local Plan. The requirement for 4% of the total number of residential units on new residential sites will be also be required as shared ownership housing to continue to meet demand for affordable home ownership homes and from purchasers that do not meet the qualification criteria applied to First Homes. However, if the discount on the First Homes dwelling is greater than the minimum 30% required, the developer will not be required to pay the financial contribution in lieu of the 5% difference on those First Homes discounted at 40% or 50% from market value.</p>	
Chelmer Housing Partnership	1	1.2	The consultation states there will be a restriction on the title of the property to make sure that the discount is passed on to each subsequent purchaser. How will CCC make sure that this restriction is in place? How will the subsequent sale of the properties be monitored to make sure relevant eligibility criteria are complied with?	The requirement for the restriction on the title of the property will be secured through a Section 106 planning obligation as is currently the case with shared ownership housing. National Planning Practice Guidance (First Homes, Paragraph: 003 Reference ID: 70-003-20210524) provides a model title restriction that will be published as part of the government's published template planning obligations. On-resales compliance with the eligibility criteria will need to be certified by the relevant local authority, with a standard form to be published by Homes England expected, and submitted to the local authority by the vendors solicitor. This will be monitored as part of the overall planning obligations monitoring.	N/A
Chelmer Housing Partnership	3	3.6	<p>Will CCC increase the discount to above 30 percent to enable homes with an OMV above £357,143 to be provided as First Homes?</p> <p>What will CCC's approach be if less than 25 percent of the affordable properties provided on a scheme meet this First Homes price cap?</p> <p>How will it be decided which properties are categorised as First Homes and which as shared ownership?</p> <p>Would CCC expect CHP to have lower initial shares sold for shared ownership homes on developments with First Homes, for example, in the 10–25 percent bracket, to differentiate between the products? If so, we would be concerned about limiting our prospective customer base to those with the lowest levels of affordability. Offering lower</p>	<p>Given there is a clear distinction between the need for affordable housing for rent, and no net need identified for a much more heavily discounted affordable home ownership product in the SHMA Update; the Council does not consider there is evidence to require a higher discount.</p> <p>If developers choose to discount First Homes beyond the minimum 30% the Council and national planning policy requires, they must still provide the 22% affordable housing for rent on new residential development of 11 or more residential units, as set out in the Local Plan. The requirement for 4% of the total number of residential units on new residential sites will be also be required as shared ownership housing to continue to meet demand for affordable home ownership homes and from purchasers that do not meet the qualification criteria applied to First Homes. However, if the discount on the First Homes dwelling is</p>	Y

Name	Page	Paragraph/ table/ fig ref	Summary of Comments/Proposed change	Council comments	Agree Change Y/N
			shares is yet to be tried and tested, so we are unsure of how this will be received and the levels of interest this will generate.	<p>greater than the minimum 30% required, the developer will not be required to pay the financial contribution in lieu of the 5% difference on those First Homes discounted at 40% or 50% from market value.</p> <p>The Council does not currently prescribe the mix of affordable home ownership products as it is demand, rather than need, led. The mix of affordable home ownership dwellings will be negotiated on a site-by-site basis with reference to the information on demand held by Developers and Registered Social Landlords at the relevant time.</p> <p>The Council does not propose to require Registered Providers to make Shared Ownership available at initial equity shares of less than 25%; but will continue to require compliance with Homes England's template lease/capital funding requirements (as appropriate).</p> <p>The main differentiation between shared ownership housing and First Homes is the lower deposit associated with the former, which is the case at an initial equity share 25%. The council recognises that shared ownership housing will also meet a demand for affordable home ownership from purchasers that do not meet the qualification criteria applied to First Homes.</p>	
Redrow/Barton Wilmore	3	3.7	It is considered unreasonable for CCC to apply a financial contribution to the 'difference' between Shared Ownership and First Homes provision when the discounted market value of any proposed First Homes would be a minimum capped at £250,000. As such, there may be instances within CCC's administrative area where the market value of First Homes are significantly reduced beyond 30% in order to comply with the £250,000 cap. This would then result in applicants having to provide significantly discounted properties, beyond the Shared Ownership discount, while also having to pay a financial contribution that would not be needed.	If developers choose to discount First Homes beyond the minimum 30% the Council and national planning policy requires, they must still provide the 22% affordable housing for rent on new residential development of 11 or more residential units, as set out in the Local Plan. The requirement for 4% of the total number of residential units on new residential units will also be required as shared ownership housing to continue to meet demand for affordable home ownership homes and from purchasers that do not meet the qualification criteria applied to First Homes. However, if the discount on the First Homes dwelling is greater than the minimum 30% required, the developer will not be required to pay the financial contribution in lieu of the 5% difference on those First Homes discounted at 40% or 50% from market value.	Y
Redrow/Barton Wilmore	3 - 4	3.7 – 3.10	Within the Local Plan Viability Assessment, Table 4.20 assumed different values of Shared Ownership which varied depending on the initial share purchased. The accompanying text states the 35% discount was based on the property being sold at a 50% share. Table 4.20 shows that a 35% discount from open market value is only achieved if sold at between a 30 and 40% share with 2.75% rent payable on the remainder. Any share at 40% or more is calculated to be sold at a discount of between 33 and 11% from the open market value, clearly demonstrating that the comparative value of Shared Ownership can significantly vary depending on the initial share purchased. Caution should therefore be applied to CCC's statement that Shared Ownership are sold at a 35% discount from the open market value, with CCC's own data demonstrating that this can significantly vary.	The modelling in the residential appraisals in the Local Plan Viability Assessment assumed 65% of market value, as confirmed in paragraph 4.77 of the document. The approach in the Local Plan Viability Assessment was supported through a consultation with Developers and Registered Social Landlords.	N/A
Redrow/Barton Wilmore	3 - 4	3.7 – 3.10	The use of financial contributions to "top-up" the difference between Shared Ownership and First Homes would be unfairly onerous on all applicants and has no basis in national or local policy, and would not meet the tests under Regulation 122 of the Community	Paragraph 8.14 of the Chelmsford Local Plan states that affordable housing is an integral element of any market-led residential or mixed-use development and is expected to be provided in-kind and on-site. It also states that the Council may consider a financial contribution in lieu of on-site provision of broadly the	Y

Name	Page	Paragraph/ table/ fig ref	Summary of Comments/Proposed change	Council comments	Agree Change Y/N
			<p>Infrastructure Levy Regulations, thus should not be carried forward into the next iteration of the Advice Note.</p> <p>There is no provision within the PPG that specifies that First Homes provision should be supplemented by a financial contribution due to the reduction in Shared Ownership provision. Indeed, the PPG is clear that, in accordance with Para 62 of the NPPF, affordable housing is expected to be delivered on-site, unless off-site provision or a financial contribution in lieu can be robustly justified (PPG Para: 012 Reference ID: 70-012-20210524).</p> <p>In actuality, the PPG refers that the total value captured under the policy “can then be reallocated to a different affordable housing mix under the new policy” (PPG Para: 014 Reference ID: 70-014-20210524, underline for emphasis). This is therefore clear that any changes in value should be captured through the proposed affordable housing mix set out within local policy, not through financial contributions. CCC has mis-interpreted the PPG in assuming this relates to financial value.</p> <p>As set out, we do not agree with CCC’s justification of this approach by stating the Local Plan Viability Assessment assumed 30% discount for Shared Ownership. By its very nature, a Local Plan Viability Assessment is a blunt tool due to the assumptions it has to make on an authority wide basis and to give a snapshot to support the local plan through Examination. There will be a number of assumptions made in Viability Assessment that will not hold true throughout the life of the Local Plan, but little can be done about that as it is just the nature of that type of document. This assumption does not provide the requisite evidence required to base the Council’s approach on.</p> <p>Moreover, the financial contribution is not considered to meet the tests under Regulation 122 of the Community Infrastructure Levy Regulations. This is as any obligation requiring the financial contribution would not be necessary to make the development acceptable in planning terms; would not directly relate to the development; nor be fairly and reasonably related in scale and kind to the development where developments provide the full 25% First Homes requirement as set out by Government.</p> <p>We consider the Paragraphs (3.7, 3.8, 3.9 and 3.10) within the draft First Homes Planning Advice Note relating to financial contributions to “top-up” the difference between Shared Ownership and First Homes would be unfairly onerous on all applicants and has no basis in national or local policy, would not meet the Reg 122 tests, thus should not be carried forward into the next iteration of the Advice Note.</p>	<p>equivalent value on development sites which comprise between 11 and 15 residential units, to improve the provision of temporary accommodation for homeless households. The justification for this was discussed during the Examination in Public of the now adopted Local Plan and the Inspector accepted this justification. The Chelmsford Housing Strategy Consultation published in July 2021 set out that currently the Council is at a critical stage of being at risk of being unable to meet its statutory duties to some of those in most urgent need, particularly families with children.</p> <p>The draft planning advice note does not propose that the 35% affordable housing contribution required on developments of 11 or more dwellings isn’t provided on-site, just that the difference in the total value captured is reallocated via a commuted sum in lieu of on-site provision.</p> <p>Paragraph: 014 Reference ID: 70-014020210524 states that the plan viability assessment should set out assumptions on the amount of value captured which allows the total value captured under the policy to be calculated and that this value can be the be reallocated to a different affordable housing mix under the new policy. Total value captured in a plan viability assessment, when defined as a percentage of discount from market value, provides the value of the percentage discount in £ per square meter. A plan viability assessment is a series of residual land valuations of different typologies of development. It is the sqm value of the different affordable housing tenures that enables the overall percentage of affordable housing as well as the split between the tenures to be determined.</p> <p>If developers choose to discount First Homes beyond the minimum 30% required, they must still provide the 22% affordable housing for rent in new residential development of 11 or more residential units to meet the identified housing need. The requirement for 4% of the total number of residential units on new residential units will also be required to continue to meet demand for affordable home ownership homes and from purchasers that do not meet the qualification criteria applied to First Homes. However, if the discount on the First Homes dwelling is greater than the minimum 30% required, the developer will not be required to pay the financial contribution in lieu of the 5% difference on the First Homes discounted at 40% or 50% from market value.</p> <p>As the Council is not proposing to exceed the total value captured under the plan, which was tested at Examination in Public, this approach is considered to comply with Regulation 122 of the Community Infrastructure Levy Regulations.</p>	
Countryside Zest / Ptarmigan Land	4	3.10	Social rent accommodation - The 2015 SHMA states that 22% of overall housing should be provided as either social or affordable rented accommodation and this is repeated in the Advice Note (para 1.8). The draft First Homes Advice Note worked example then only	Paragraph 8.11 of the Chelmsford Local Plan states that 22% overall housing should provide as either social or affordable rented accommodation. National planning practice guidance states that once the minimum of 25% of First Homes	Y

Name	Page	Paragraph/ table/ fig ref	Summary of Comments/Proposed change	Council comments	Agree Change Y/N
			<p>refers to affordable rent and not social rent. I would draw your attention however to the following Government guidance https://www.gov.uk/guidance/first-homes which confirms that “once the minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy”. The draft Advice Note seems to lump social rent and affordable rent into one category. From the above Government Guidance, First Homes should not reduce the amount of social rent grant, but has to be taken equally from all other tenures (including shared ownership and affordable rent). It appears from the draft Advice Note that CCC are proposing to take away only shared ownership tenures for First Homes and clarity on this point is therefore sought. To demonstrate this point we have been provided with the following worked example from L&Q:</p> <p>For example, if a local plan policy requires an affordable housing mix of 20% shared ownership units, 40% affordable rent units and 40% social rent units, a planning application compliant with national policy would deliver an affordable housing tenure mix of 25% First Homes and 40% social rent. The remainder (35%) would be split in line with the ratio set out in the local plan policy, which is 40% affordable rent to 20% shared ownership, or 2:1. 35% split in this way results in 12% shared ownership; and 23% affordable rent.</p>	<p>has been accounted for, social rent should be delivered in the same percentage as set out in the local plan (Paragraph: 15 Reference ID: 70-015020210524). Because Local Plan Policy DM2 does not differentiate between social and affordable rent; the 22% affordable housing for rent contribution must be provided in line with Paragraph 8.11 of the Local Plan to protect the social rent units. This is the basis on which the <u>need</u> was assessed, and the requirement determined.</p> <p>The example provided by National Planning Practice Guidance is where a local authority has a different <u>local plan policy</u> for social and affordable rented accommodation, which Chelmsford does not.</p> <p>Additional text to be added to paragraph 3.2 to clarify this point and the bullet points in paragraph 3.5 to be reordered to make the ‘hierarchy’ visually clearer. In addition, text will be added to the end of the First Homes and affordable housing for rent bullet points, to clarify any rounding issues.</p>	
Countryside Zest / Ptarmigan Land (Turner Morum)	4	3.10	<p>There will be additional development costs associated with increased risk in providing First Homes that would exceed the change in value associated with the minimum First Homes discount compared to the shared ownership discount, which restricts the developer’s ability to make a further contribution. Cashflow would also negatively be affected compared to shared ownership housing where sales are de-risked and payment is received earlier in the build programme. Reference is made to a recent planning appeal in the London Borough of Bromley (APP/G5180/W/20/3257010). Marketing, Agency and Legal Fees will also increase for First Homes because disposal of affordable housing to a single Registered Provider involves much less cost. Shared ownership levels of discount will vary above / below the level assumed at plan making. Benchmark allowances for affordable rent should be lower than shared ownership and there is an error in the Council’s assessment of affordable housing values in the Local Plan Viability Assessment.</p> <p>The complexity of delivering First Homes is not directly comparable to the delivery of Shared Ownership Homes and assuming a blanket 5% uplift in value benefitting the developer cannot be relied upon as other development costs need to be considered. The proposed additional financial contribution on First Homes should therefore be removed.</p>	<p>The development costs associated with First Homes asserted by Turner Morum are not proven as First Homes are a new affordable housing product. The development costs will vary depending on the degree of discount offered. The degree to which development costs for First Homes vary compared to other affordable housing products/tenures will be assessed in the review of the Local Plan due to commence in 2022.</p> <p>If the discount on the First Homes dwelling is greater than the minimum 30% required, the developer will not be required to pay the financial contribution in lieu of the 5% difference on the First Homes discounted at 40% or 50% from market value.</p> <p>The modelling in the residential appraisal in the Local Plan Viability Assessment assumed 65% of the market value, as confirmed in paragraph 4.77 of the document. The approach in the Local Plan Viability Assessment was supported through a consultation with developers and Registered Social Landlords.</p>	Y
Countryside Zest / Ptarmigan Land	4	Table 2	<p>Housing Mix – as set out in the attached Turner Morum letter, and also in the Worked Example of the draft Advice Note, due to current Market Values and the national price cap of £250,000, First Homes will be limited to 1 and 2 bed flats in Chelmsford. It would be helpful for this to be acknowledged in the Advice note as it will have implications for the overall affordable Housing Mix that can be provided in Major Developments and it will not be possible to achieve a policy compliant dwelling mix for First Homes.</p>	<p>The affordable housing dwellings mix set out in Table 3 of the Planning Obligation SPD applies to affordable housing for rent only, which would be unaffected by the provision of First Homes.</p>	N

Name	Page	Paragraph/ table/ fig ref	Summary of Comments/Proposed change	Council comments	Agree Change Y/N
Chelmer Housing Partnership	4	4	We consider that applying additional local eligibility criteria for a period of three months on initial and re-sales coupled with the other eligibility requirements could affect the marketability of First Homes. Section 106 nomination agreements should not contain any additional prioritisation criteria. Homes England have been clear that the only priority groups should be serving MOD personnel. This has been the case on all Section 106 nomination agreements dating back to 2016. We are meant to allocate shared ownership homes on a first come first served basis, as long as the customer meets the headline eligibility and affordability criteria. This does not happen in practice as most local authorities insist on some form of local priority groups in their nomination agreements. We tend to give priority to those living and/or working in the local authority in the first instance. It would be the responsibility of the house builder to ascertain if the person buying the property met the local eligibility criteria as there are no plans currently for registered providers to deliver First Homes sales, unless they are the house builder.	National Planning Practice Guidance (First Homes, Paragraph: 008 Reference ID: 70-008-20210524) states that as part of S106 agreements, local authorities or neighbourhood planning groups can apply eligibility criteria in addition to the national criteria. It suggests what local connections could be included and determines that any local eligibility criteria should only apply for a maximum of 3 months from when a home is first marketed.	N
Chelmer Housing Partnership	5	5.3	CHP supports CCC's approach in defining how the size of a First Homes Exception Site can be considered to be proportionate.	Noted.	N/A
Chelmer Housing Partnership	6	5.6	Up to 20 percent of the homes on a First Homes Exception Site can be for market sale. The purpose of this is to act as cross-subsidy for the First Homes. The percentage of open market sale homes required to cross-subsidise the delivery of First Homes must be kept under review as it is likely that 20% of the homes being provided as open market sale will not be sufficient to fully cross-subsidise a scheme. On average, a 20 percent profit is assumed on an open market sale property. This level of profit would not compensate for the 30 percent discount on the open market sale value of a First Home. Will CCC allow more non-discounted open market sales on a First Homes Exception Site if viability is an issue? We support CCCs requirement for any market homes to be indistinguishable from the affordable homes to support cohesion and remove stigma.	Developers profit on market housing is only a measure of the sum of money a developer earns in a development after all costs, including land, have been factored in. First Homes Exception Sites can only come forward on land outside of a development plan. The starting point is therefore a small uplift on an agricultural land value which National Planning Policy (First Homes, Paragraph:027 Reference ID: 70-027-20210524) does not assume is necessary. National Planning Guidance states that local authorities and neighbourhood planning groups can set policies that specify in further detail the proportion of market housing would be considered acceptable, and under what circumstances. The draft First Homes Planning Advice Note relates the circumstances to Local Plan Policy DM 2 B v and iv, although notes that percentage of market housing permissible has been reduced because the level of cross-subsidy required to help deliver First Homes compared to the higher proportion of affordable housing for rent normally provided on rural exception sites, would be lower.	N
Chelmer Housing Partnership	6	5.8	The consultation states that to meet the needs for affordable housing for rent, CCC requires at least 25 percent of the properties on a First Homes Exception Site to be for rent. CHP would be supportive of a higher percentage being provided for either social or affordable rent. Will additional local eligibility criteria be applied to First Homes Exception Sites? Again, this will be for the house builder to address as there are currently no plans for a registered provider to deliver First Homes sales, unless they are the house builder.	Noted. Footnote 9 in the document clarifies that rural exception sites delivered through Local Plan Policy DM2 (B), which are only allowed when there is a clearly identified need in the Parish in which they are located, will continue to have a local eligibility criterion that favours residents with a defined connection to the Parish for a set period. First Homes provided on First Homes exception sites will be subject to the same Local Eligibility Criteria set out in section 4 of the note. Paragraph 5.8 of the note clarifies that the affordable housing for rent provided on First Homes exception sites, will meet the needs on the Council's Housing Register and therefore will be distinct from the housing needs identified through a parish wide needs survey and secured on a rural exception site.	N

Name	Page	Paragraph/ table/ fig ref	Summary of Comments/Proposed change	Council comments	Agree Change Y/N
Chelmer Housing Partnership	6	6	6 CHP has no comments about the transitional arrangements proposed.	Noted.	N/A

Appendix 3: Schedule of proposed changes for First Homes Planning Advice Note

Page	Paragraph/ table/ fig ref	Council comments
3	3.2	<p>New text at the end of the sentence to read: <u>Because Local Plan Policy DM2 A does not differentiate between social and affordable rent; the 22% affordable housing for rent contribution must be provided in line with Paragraph 8.11 of the Local Plan to protect the social rent units. This is the basis on which the need was assessed, and the requirement determined.</u></p>
3	3.5	<p>Bullet points to be re-ordered and new text to read:</p> <ul style="list-style-type: none"> • At least 9% of the total number of residential units on new residential developments of 11 or more residential units will be required as First Homes as this equates to 25% of the affordable housing requirement. <u>Where the percentage of First Homes sought does not result in whole numbers, it should always be rounded up to achieve the required 9%.</u> • <u>At least 22% of the total number of residential units on new residential developments of 11 or more residential units will be required as affordable housing for rent as set out in the Local Plan. Where the percentage of affordable housing for rent does not result in whole numbers, it should always be rounded up to achieve the required 22%.</u> • <u>The balance, 4% of the total number of residential units on new residential developments of 11 or more residential units will be required as Shared Ownership Housing to continue to meet demand for affordable home ownership homes and from purchasers that do not meet the qualification criteria applied to First Homes.</u>
4	<u>3.11</u>	<p>Add a new paragraph to read: <u>If the discount on the First Homes dwellings is greater than the minimum 30% required, the developer will not be required to pay the financial contribution in lieu of the 5% difference on those First Homes discounted at 40% or 50% from market value.</u></p>
4	<u>3.12</u>	<p>Add a new paragraph to read: <u>When a developer chooses to discount First Homes beyond the minimum 30% the Council and national planning policy requires, the Council will still require 22% affordable housing for rent on new residential development of 11 or more residential units, as set out in the Local Plan. The requirement for 4% of the total number of residential units on new residential developments of 11 or more residential units will be also be required as shared ownership housing to continue to meet demand for affordable home ownership homes and from purchasers that do not meet the qualification criteria applied to First Homes.</u></p>



Chelmsford Policy Board / Cabinet

13 January 2022 / 25 January 2022

Housing Additionality: Affordable Housing for Rent Planning Advice Note

Report by:

Director for Sustainable Communities

Officer Contact:

Liz Harris-Best, Principal Housing Implementation and Strategy Officer

liz.harris-best@chelmsford.gov.uk, 01245 606378.

Purpose

The purpose of this report is to present a draft Housing Additionality: Affordable Housing for Rent Planning Advice Note; and seek approval for the Policy Board to refer to Cabinet in order to agree the document for publication.

Recommendations

1. That Policy Board consider the draft Housing Additionality: Affordable Housing for Rent Planning Advice Note, attached at Appendix 1.
 2. That Policy Board delegate the Director for Sustainable Communities, in consultation with the Chair, Vice Chair and Cabinet Member for Sustainable Development, to make any final changes to the Housing Additionality: Affordable Housing for Rent Planning Advice Note ahead of consideration by Cabinet.
 3. To refer the Housing Additionality: Affordable Housing for Rent Planning Advice Note to Cabinet for approval.
-

1. Background

- 1.1. The Council requires through its planning policies that 35% of the total number of residential units be provided and maintained as affordable housing within all new residential development sites of 11 or more residential units.
- 1.2. To ensure new affordable housing provision is weighted to make a proportionate contribution to the assessed need, the Council requires affordable housing on developments of 11 or more dwellings to include 22% of the total number of dwellings within the development as either social or affordable rented accommodation. The remaining 13% of the total number of dwellings should be delivered as First Homes (9%) and the balance as Shared Ownership housing (4%).
- 1.3. The net need for new affordable homes for rent in Figure 7.2 of the Strategic Housing Market Assessment (SHMA) Update (December 2015) and replicated in the Planning Obligations Supplementary Planning Document (SPD) 2021, sets out the overall dwelling mix for the Council to pursue within the 22% affordable housing for rent component of the overall affordable housing contribution on developments of 11 dwellings or more.
- 1.4. During the last five years there has been a notable difference in the supply of four-bedroom affordable homes for rent, which is currently forecast to remain well below the required level. The low level of larger affordable family homes has significantly impacted on the churn of larger family homes within the existing affordable housing stock, which already had the highest need relative to supply recorded in the SHMA, leading to a decline in the number of existing affordable homes being relet overall.
- 1.5. The impact of this reduction in supply, particularly the disparity between larger and smaller homes, is reflected in waiting times for those accepted as homeless, which contributes to the number and cost of households in temporary accommodation.
- 1.6. Planning Advice Notes support the implementation of the Chelmsford Local Plan and Supplementary Planning Documents by providing clarity in response to common queries, changes in national policy or updated evidence. These are published on the Council's website.

2. Preparation of the draft Housing Additionality: Affordable Housing for Rent Planning Advice Note

- 2.1. The draft Housing Additionality: Affordable Housing for Rent Planning Advice Note has been prepared with the input of Members of the Housing Working Group, planning officers working in the Council's Development Management and Housing Services teams.

3. Contents of the draft Housing Additionality: Affordable Housing for Rent Planning Advice Note

3.1. The draft Planning Advice Note provides guidance on two scenarios whereby the Council would consider a variation from the dwelling mix that was set out in the SHMA within the 22% affordable housing for rent component on developments of 11 dwellings or more:

3.1.1. Scenario A sets out a different proportion of affordable housing for rent required on sites allocated for housing in the Local Plan when the quantum of residential accommodation sought is above the level identified in the Local Plan.

3.1.2. Scenario B states that the Council will consider a different level of affordable housing for rent contribution on all planning gain sites, when it can be demonstrated that a higher number of persons can be accommodated through a larger proportion of four-bedroom homes for rent being secured than the dwelling mix set out in the SHMA.

3.2. Scenario A provides a revised mix of affordable housing for rent required, and only applies when the quantum of residential housing at development management stage is above the level identified in the Local Plan. Table 3 of the Note sets out the revised dwelling mix that will be required to meet housing need on the 22% affordable housing for rent element of the additional residential accommodation.

3.3. Scenario B could apply to any residential development comprising 11 or more units.

3.4. Both scenario A and B are designed to increase the proportion of four-bedroom homes for rent available on new development sites to address the shortfall in delivery of this size of affordable home in the last five years; reduce the numbers of larger families with children being accommodated in temporary accommodation; and create a higher churn across all sizes of affordable accommodation in the existing affordable housing stock.

4. Conclusion

4.1. The draft Housing Additionality: Affordable Housing for Rent Planning Advice Note proposes two ways in which the Council will seek to increase the proportion of larger four-bedroom affordable homes for rent available on new development sites.

4.2. The draft Housing Additionality: Affordable Housing for Rent Planning Advice Note, attached at **Appendix 1**, is referred to Cabinet for approval subject to the inclusion of any further necessary changes.

List of appendices:

Appendix 1 – Housing Additionality: Affordable Housing for Rent Planning Advice Note

Background papers:

None.

Corporate Implications

Legal/Constitutional:

None - planning obligations would be entered into in the usual way prior to the grant of planning permission.

Financial:

The draft Housing Additionality: Affordable Housing for Rent Planning Advice Note, acknowledges that under scenario B, the higher proportion of four-bedroom homes for affordable rent would be achieved through a reduction in the percentage of affordable housing for rent from the required 22% of the total residential units. This would not affect the viability of the residential housing mix test in the Local Plan but would enable a greater number of persons to be housed.

The draft Housing Additionality: Affordable Housing for Rent Planning Advice Note states that under scenario A, where the number of affordable four-bedroom homes for rent would be secured without a reduction in the required 22% of the total residential units on the proportion of dwellings secured above the allocated number of residential units in the Local Plan, would not affect the viability of the residential housing mix testing in the Local Plan – with the additional housing being a windfall to the developer/landowner.

Potential impact on climate change and the environment:

Affordable homes for rent of all sizes would need to adhere to the Council's relevant development management policies within the adopted Local Plan and the guidance within the Council's Making Places SPD.

Contribution toward achieving a net zero carbon position by 2030:

Affordable homes for rent of all sizes will need to comply with relevant policies and Building Regulations which currently are working towards Net Zero Ready by 2025

Personnel:

There are no Personnel issues arising directly from this report.

Risk Management:

There are no Risk Management issues arising directly from this report.

Equality and Diversity:

The Local Plan was subject to an Equality and Diversity Risk Assessment.

Health and Safety:

There are no Health and Safety issues arising directly from this report.

Digital:

There are no IT issues arising directly from this report.

Other:

Consultees:

Housing Working Group
Development Management Team
Housing Services Team

Relevant Policies and Strategies:

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

Chelmsford Local Plan 2013-2036, 2020

Planning Obligations Supplementary Planning Document, 2021

Making Places Supplementary Planning Document, 2021

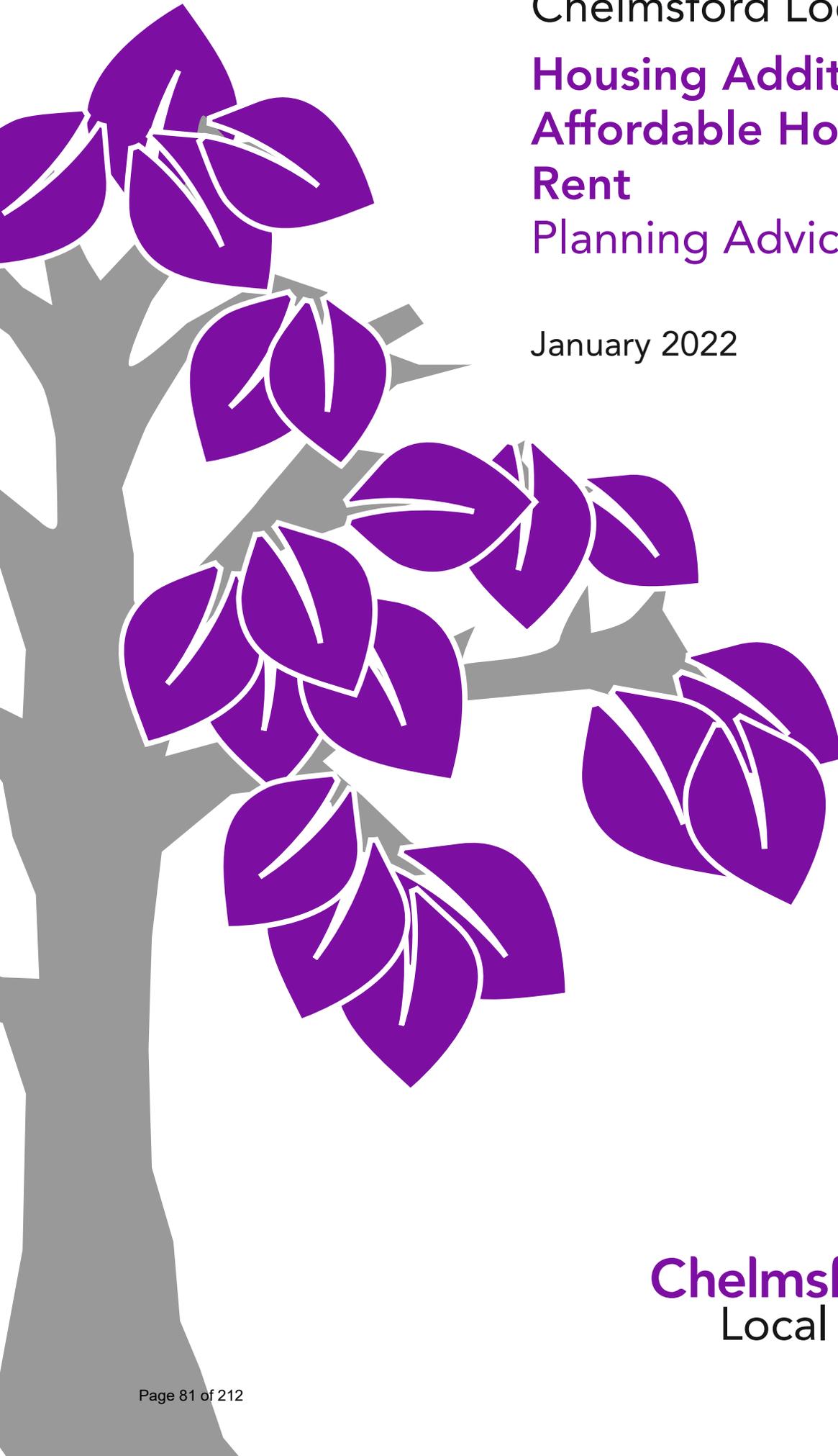
Our Chelmsford, Our Plan

Chelmsford Local Plan

**Housing Additionality:
Affordable Housing for
Rent**

Planning Advice Note

January 2022



Housing Additionality: Affordable Housing for Rent Planning Advice Note

Purpose

The purpose of this advice note is to provide guidance on:

- a) A different proportion of affordable housing for rent required on sites allocated for housing in the Local Plan when the quantum of residential accommodation sought is above the level identified in the Local Plan, to help address the shortfall in the supply of new four-bedroom affordable homes for rent delivered in the last five years.
- b) To enable consideration of a different affordable housing for rent contribution on all planning gain sites, when it can be demonstrated that a higher number of persons can be accommodated through a larger proportion of four-bedroom homes for rent being secured.

Background

The Council requires the provision of 35% of the total number of residential units to be provided and maintained as affordable housing within all new residential development sites which comprise of 11 or more residential units.

To ensure new affordable housing provision is weighted to make a proportionate contribution to the assessed need, the Council requires affordable housing on developments of 11 or more dwellings to include 22% of the total number of dwellings within the development as either social or affordable rented accommodation. The remaining 13% of the total number of dwellings should be delivered as First Homes (9%) and the balance as Shared Ownership housing (4%).

The affordable housing profile in Table 1 shows the overall net annual requirement for affordable housing for rent once the likely supply of the affordable accommodation has been deducted from the gross need.

Table 1: Size of additional units required to meet housing need in Chelmsford

	Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
One bedroom	339	300	39	22.5%	88.4%
Two bedrooms	283	190	94	53.6%	67.0%
Three bedrooms	113	88	25	14.2%	78.0%
Four or more bedrooms	29	12	17	9.7%	41.9%
Total	764	589	175	100.0%	77.1%

Source: 5.13b Appendix 5 of the SHMA Update (December 2015)

This shows the largest net need is for two-bedroom affordable accommodation for rent, followed by one-bedroom affordable homes for rent. The final column shows that the need relative to supply is greatest for four-bedroom affordable homes for rent followed by two-bedroom affordable accommodation for rent. Households in need requiring one-bedroom affordable accommodation for rent are most likely to have their need met from the existing affordable housing rented stock.

The net need for new affordable homes for rent in Figure 7.2 of the Strategic Housing Market Assessment (SHMA) Update (December 2015) and replicated in the Planning Obligations Supplementary Planning Document (SPD), sets out the overall dwelling mix for the Council to pursue within the 22% affordable housing for rent component of the overall affordable housing contribution on developments of 11 dwellings or more.

Table 2: Bedroom size of affordable housing for rent size of additional units required to meet housing need in Chelmsford

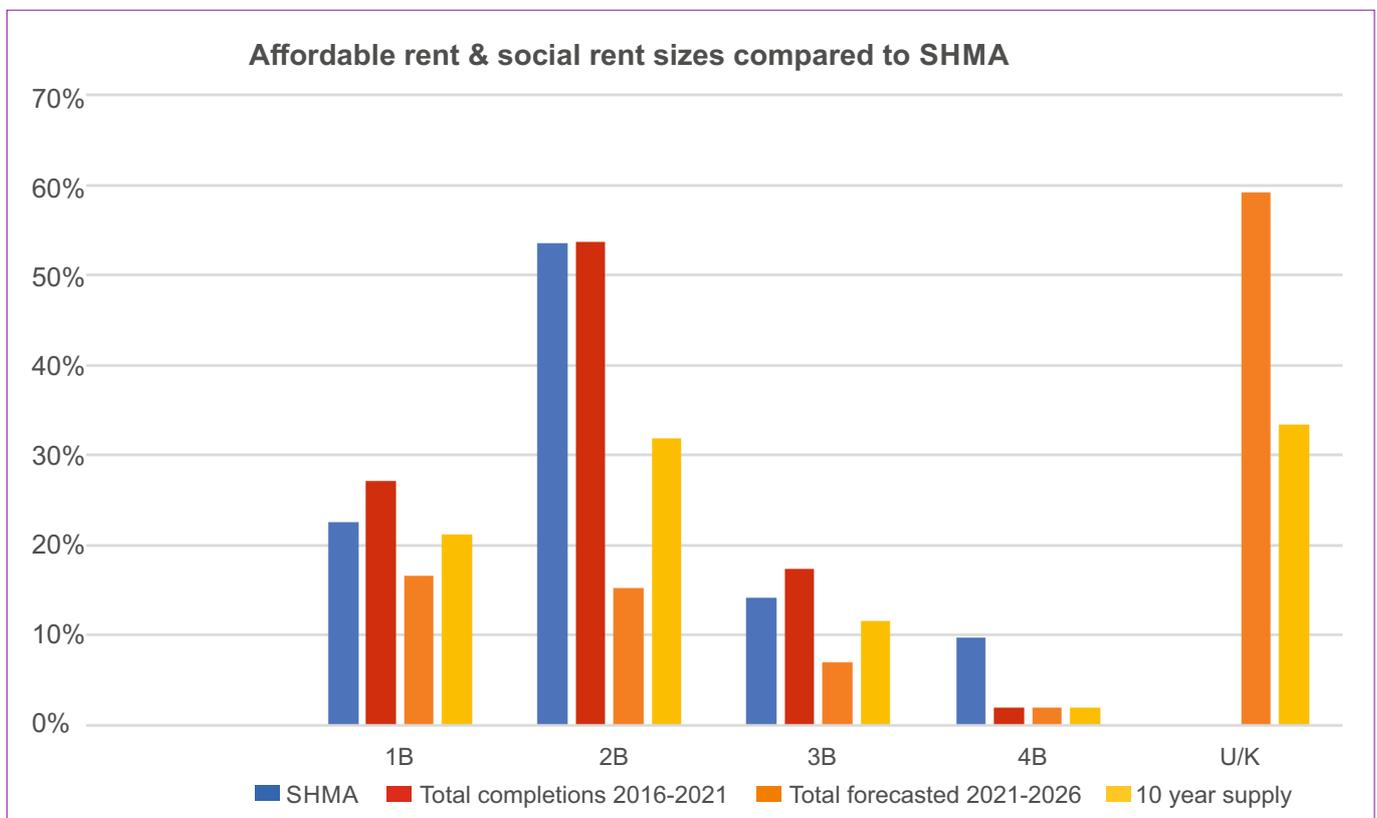
Size of home	Need requirement as a percentage of net annual total
One Bedroom	22.5%
Two Bedrooms	53.6%
Three Bedrooms	14.2%
Four or more Bedrooms	9.7%
Total	100.0%

Source: Figure 7.2 SHMA Update (December 2015)

The affordable housing for rent mix set out in Table 2 above, was used to calculate the viability of planning contributions in the viability assessment of the Local Plan.

Issues

The supply of new affordable housing for rent compared to the SHMA requirement for the last five years is shown below in Figure 1:



Source: Chelmsford City Council Monitoring Statistics (September 2021)

The most notable difference is in the supply of four-bedroom affordable homes for rent, which is currently forecast to remain well below the required level. The low level of larger affordable family homes has significantly impacted on the churn of larger family homes within the existing affordable housing stock, which already had the highest need relative to supply recorded in the SHMA, leading to a decline in the number of existing affordable homes being relet overall.

Most of the supply of affordable homes for rent comes from the existing stock, as existing tenants move on and homes become available to re-let to someone from the Council's Housing Register. Between 2018 and 2020 only three four-bedroom affordable homes for rent became available for re-letting from the existing affordable housing stock.

The SHMA identified an average annual supply from the existing affordable housing stock of 469 homes, this may have included age-restricted homes which make very little contribution to meeting the Council's statutory duties. In 2020/21 the actual supply from the existing affordable housing stock was 197 homes, supplemented by an additional 168 new-build homes, still short of the anticipated supply in the SHMA.

The impact of this reduction in supply, particularly the disparity between larger and smaller homes, is reflected in waiting times for those accepted as homeless, which contributes to the number and cost of households in temporary accommodation.

A - Revised Affordable Housing for Rent Mix

The revised affordable housing for rent mix set out in Table 3 below seeks to address the shortfall in supply of new four-bedroom affordable homes for rent by reducing the proportion of one-bedroom dwellings, in favour of an increase in the proportion of four-bedroom homes, as households in need requiring one bedroom accommodation are most likely to have their need met from the current supply.

The revised requirement set out in Table 3 only applies to the quantum of residential housing above the total number identified in the Local Plan, so as not to affect the viability of the residential housing mix tested in the Local Plan, with the additional housing being a windfall to the developer/landowner.

Table 3: Revised bedroom size of affordable housing for rent size of additional units required to meet housing need in Chelmsford

Size of home	Need requirement as a percentage of net annual total
One Bedroom	0%
Two Bedrooms	53.6%
Three Bedrooms	14.2%
Four or more Bedrooms	32.2%
Total	100.0%

Worked Example

A notional site with a residential 'allocation' of 100 dwellings in the Local Plan that when master-planned can demonstrate that it can sustainably accommodate 135 dwellings; would be required to provide the following affordable rented housing:

	22%	1 Bed	2 Bed	3 Bed	4 Bed
SHMA Mix on 100 Dwellings	22	5	12	3	2
Revised Mix on 35 Dwellings	8	0	4	1	3
Total	30	5	16	4	5

B – Revised Affordable Housing for Rent Contribution

If it can be demonstrated to the satisfaction of the Council that an increased number of persons would be accommodated overall on a threshold site through a higher proportion of four-bedroom homes than that set out in Table 2, the Council may agree to a lower percentage of affordable housing for rent on a site. The Council will need to be satisfied that the affordable housing for rent will meet the minimum occupation levels set out in Table 4 of the Planning Obligations SPD.

An increase in the proportion of four-bedroom affordable homes for rent and an increased overall occupancy within the overall affordable for housing for rent contribution compared to a provision at 22% with an affordable housing mix that accords with Table 2 on a threshold site, is likely to be achieved through a reduction in the proportion of one-bedroom homes.

Key Documents

Chelmsford Local Plan (2020)

Local Plan Policy DM2 seeks to secure a mix, size, type, and cost of affordable homes that will meet the identified housing need, established by housing needs assessments, which is proportionate to the categories of greatest need.

The mix of the affordable housing for rent required to meet priority housing need will be reviewed as part of the review of the Local Plan due to commence in 2022.

Planning Obligations SPD (2021)

Paragraphs 5.23 to 5.30 of the Planning Obligations SPD provides advice on the mix of affordable housing requirement on developments of 11 or more dwellings.

Emerging Chelmsford Housing Strategy (2021)

The draft emerging Housing Strategy 2022-2027 highlights how the Council is at a critical stage of being at risk of being unable to meet its statutory duties to some of those in most urgent need, particularly larger families with children.



Chelmsford City Council Cabinet

25 January 2022

Duty to Co-operate Strategy – Consultation Feedback and Proposed Changes

Report by:
Cabinet Member for Sustainable Development

Officer Contact:
Jenny Robinson, Senior Planning Officer, jenny.robinson@chelmsford.gov.uk,
01245 606265

Purpose

To present feedback from consultation on the Council's draft Duty to Co-operate Strategy and seek approval for the proposed changes.

Options

1. To approve the Duty to Co-operate Strategy with the amendments as set out in this report
2. To approve the Duty to Co-operate Strategy with further amendments
3. Not to approve the Duty to Co-operate Strategy

Preferred option and reasons

Option 1 – to approve the Duty to Co-operate Strategy with the amendments as set out in this report.

Recommendations

1. That Cabinet approves the Duty to Co-operate Strategy with the amendments as described at paragraph 5.2 of this report.
 2. That Cabinet agrees that any subsequent minor textual, presentational or layout amendments to the final version of the Duty to Co-operate Strategy are delegated to the Director of Sustainable Communities in consultation with the Cabinet Member for Sustainable Development.
 3. That the necessary procedural processes to publish the final Duty to Co-operate Strategy are delegated to the Director of Sustainable Communities in consultation with the Cabinet Member for Sustainable Development.
-

1. Background

- 1.1 Legislation and national planning policy requires strategic policy-making authorities to co-operate with each other, and other prescribed bodies, when preparing or supporting the preparation of policies which address strategic matters that cross administrative boundaries.
- 1.2 We adopted our current Duty to Co-operate Strategy in March 2015, ahead of developing our Local Plan which was adopted in May 2020. We are embarking on a review of the Local Plan in 2022, and have reviewed the Duty to Co-operate Strategy ahead of that review.
- 1.3 Chelmsford City Council (CCC) is committed to co-operating with other bodies on strategic planning matters. We have a history of working together with neighbouring authorities and stakeholders on plan making and this continues today. This background of collaboration will provide a strong basis for us to continue effective joint working arrangements required to satisfy the legal duty test on our Local Plan review.

2. Scope of the Duty to Co-operate Strategy

- 2.1 Legislation and national planning policy requires strategic policy-making authorities to co-operate with each other, and other prescribed bodies, when preparing or supporting the preparation of policies which address strategic matters that cross administrative boundaries.
- 2.2 This draft Strategy (attached at **Appendix 1**) outlines our commitment to implementing the Duty to Co-operate for our Local Plan review. It explains in broad terms who we will seek to co-operate with, when we will co-operate and what co-operation mechanisms we will put in place. It provides a valuable

guide to co-operation activity, and forms part of the evidence base supporting the Local Plan review.

2.3 It also sets out a list of strategic issues on which we might wish to co-operate, including:

- Delivering homes for all including Gypsy and Traveller accommodation
- Jobs and economy including green employment and regeneration
- Retail, leisure, and cultural development
- Sustainable transport, highways and active travel
- Climate change action and mitigation including flood risk and zero carbon
- Natural and historic environment including increased biodiversity and green/blue/wild spaces
- Community infrastructure including health and community facilities
- Utility infrastructure including communications, waste, water and energy.

2.4 When the Local Plan review is finalised and reaches its Independent Examination, one of the legal tests will be whether we have complied with the Duty to Co-operate. Early engagement and demonstrating co-operation both with neighbours and the prescribed bodies through Statements of Common Ground are key to meeting the legal duty to co-operate.

3. Consultation on the Duty to Co-operate Strategy

3.1 Consultation on the draft Duty to Co-operate Strategy took place from 9 November to 21 December 2021.

3.2 This was a focused consultation with the duty bodies as prescribed by the Town and Country Planning (Local Planning) (England) Regulations 2012, as set out in the Feedback Report at **Appendix 2** of this report.

4. Feedback from the consultation

4.1 The consultation received feedback from six of the duty to co-operate bodies.

4.2 A feedback report, including a summary of the representations received, can be found at **Appendix 2** of this report. This sets out who and how we consulted and the feedback received. The feedback is set out by organisation and contains details of each representation and the Council's comments and/or change proposed as a result of those comments.

4.3 In general, there was support for the document and its contents, subject to some suggested changes. Most changes were to add detail to the list of strategic issues.

5. Proposed changes

- 5.1. A schedule of proposed changes to the Strategy is shown at paragraph 5.2 of this report. Changes are shown as **underlined** where additional text is proposed.
- 5.2 The proposed changes to the Duty to Co-operate Strategy are all to Paragraph 5.1:

Change	In response to ...
Add a further bullet point: <ul style="list-style-type: none"> London Stansted future airspace redesign 	Essex County Council
Amend bullet point 6 as follows: <ul style="list-style-type: none"> Natural and historic environment including increased biodiversity and green/blue/wild spaces <u>including improving the connectivity of ecological networks</u> 	Natural England
Amend bullet point 7 as follows: <ul style="list-style-type: none"> Community infrastructure including <u>education</u>, health and community facilities 	Maldon District Council

- 5.3 Following agreement of this schedule of proposed changes by Cabinet a final version of the document will be produced and published on the Council's website as soon as practicable.

6. Conclusions

- 6.1 The responses to the consultation on the draft Duty to Co-operate Strategy are helpful to finalising the document. Subject to Cabinet agreeing the schedule of proposed changes included at paragraph 5.2 above, the Duty to Co-operate Strategy is recommended for approval.

List of appendices:

- Appendix 1 Feedback report for the Duty to Co-operate Strategy
- Appendix 2 Draft Duty to Co-operate Strategy

Background papers:

None

Corporate Implications

Legal/Constitutional:

The Duty to Co-operate on strategic matters is a legal duty when preparing Local Development Plans, as set out by the Localism Act 2011, The Planning and Compulsory Purchase Act 2004, the Town and Country (Local Planning) (England) Regulations 2012.

Financial:

There are no financial implications arising from this report.

Potential impact on climate change and the environment:

The Duty to Co-operate includes climate change and the environment as a key topic for future co-operation.

Contribution toward achieving a net zero carbon position by 2030:

The Duty to Co-operate includes climate change and the environment as a key topic for future co-operation.

Personnel:

There are no personnel implications arising from this report.

Risk Management:

None.

Equality and Diversity:

None.

Health and Safety:

There are no health and safety implications arising from this report.

Digital:

There are no IT implications arising from this report.

Other:

Carrying out the Duty to Co-operate will contribute to achieving all four of the priorities in the Council's Our Chelmsford, Our Plan 2020.

Consultees:

Prescribed Duty to Co-operate bodies.

Relevant Policies and Strategies:

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

Local Plan 2013-2036

Our Chelmsford, Our Plan, January 2020

Statement of Community Involvement 2020

Appendix 1: Chelmsford City Council Duty to Co-operate Strategy Feedback Report

1 Introduction

- 1.1 This draft Strategy outlines our commitment to implementing the Duty to Co-operate for our Local Plan review. It explains in broad terms who we will seek to co-operate with, when we will co-operate and what co-operation mechanisms we will put in place. It provides a valuable guide to co-operation activity, and forms part of the evidence base supporting the Local Plan review.

2 Preparation of the Draft Strategy

- 2.1 We adopted our current Duty to Co-operate Strategy in March 2015, ahead of developing our Local Plan which was adopted in May 2020. We are embarking on a review of the Local Plan in 2022, and have reviewed the Duty to Co-operate Strategy ahead of that review.
- 2.2 The Draft Strategy was updated using the 2015 document as a baseline, through a review of legislation and changes to reflect the decision to review the Local Plan.
- 2.3 Consultation was carried out for 6 weeks from 9 November to 21 December 2021. This was a focused consultation with the duty bodies as prescribed by the Town and Country Planning (Local Planning) (England) Regulations 2012. The consultation was published on the Council's Planning Consultation Portal for the invited consultees. The prescribed bodies are as follows:

- the Environment Agency
- the Historic Buildings and Monuments Commission for England (known as Historic England)
- Natural England
- the Mayor of London
- the Civil Aviation Authority
- the Homes and Communities Agency
- each Primary Care Trust established under section 18 of the National Health Service Act 2006(2) or continued in existence by virtue of that section
- the Office of Rail Regulation
- Transport for London
- each Integrated Transport Authority
- each highway authority within the meaning of section 1 of the Highways Act 1980 (including the Secretary of State, where the Secretary of State is the highways authority); and
- the Marine Management Organisation.

Local Enterprise Partnerships and Local Nature Partnerships are not subject to the duty, but as Local Planning Authorities must have regard to their activities where they relate to plan making, the LEP was also consulted, along with bodies with an interest in the forthcoming Local Nature Partnership.

3 Comments received

- 3.1 Comments were received from the following consultees:

Essex County Council
Braintree District Council
Marine Management Organisation
Maldon District Council
Natural England
Transport for London

4 Summary of main issues raised and how they have been taken into account

This summary shows the main comments received, the Council's comments, and where changes are proposed. Changes are shown as **underlined** where additional text is proposed.

Comment ID	Name	Page / Para	Summary of comments	Council comments / proposed change
DtC2021-5	Essex County Council	3.3	Welcomes the commitment to discuss LP review with prescribed bodies including ECC. The impacts of growth will need to be assessed against ECC's many roles. 'Everyone's Essex' , ECC's new plan for levelling up Essex, sets out 20 commitments for its strategic aims. ECC will also work with CCC on its Infrastructure Delivery Plan.	Support welcomed. Officers will review the 'Everyone's Essex' plan in relation to its influence on DtC issues.
	Essex County Council	5.1	Highlights initial issues to provide more background and detail to the high level strategic issues identified, including: meeting housing needs; jobs and economy – particularly economic recovery and job growth priorities; retail – particularly rebuilding and future-proofing high street businesses; sustainable transport – particularly considering strategic growth and transport corridors across Essex; climate change action – and encouraging early involvement in flood risk and SuDs discussions; education and health matters.	Noted and retained as a basis for early DtC discussions.
	Essex County Council	5.1	An additional strategic issue is suggested for this section:	Agreed – proposals should give consideration to development proposed in Local Plans, and

			London Stansted future airspace – departure and arrival route options are being considered as part of the CAA airspace modernisation strategy.	vice-versa. Add a further bullet point to paragraph 5.1: • <u>London Stansted future airspace redesign</u>
	Essex County Council	6.3	Draws CCC’s attention to an emerging Local Nature Partnership which will be subject to co-operation on strategic issues once formed.	Noted. CCC would welcome more information and involvement once the new body is established.
	Essex County Council	6.5	ECC would support specific liaison groups facilitated by CCC for County matters, similar to arrangements for the previous DtC strategy. Member level involvement also welcomed.	Approach welcomed, and will inform early DtC discussions.
	Essex County Council	General	Helpful updates provided on other Essex authorities’ progress on Local Plans.	Noted.
DtC21-6	Maldon District Council	5.1	The proposed approach to the Duty to Co-operate is compatible with the Maldon District Duty to Co-operate Strategy 2021. Chelmsford City Council should add or amend one strategic issue on the list that specifically covers education provision. This is a specific issue between the two authorities given the level of provision in the Maldon district and reliance on schools in other districts. Strategically this could be achieved by ensuring that under the umbrella term of community infrastructure that “education”, accompanies health and community facilities. Alternatively, this strategic matter could be worded specifically as “Primary, secondary and further educational facilities based within the administrative	Welcome the opportunity to engage on this matter, with ECC’s involvement as the education authority. Alternative wording provides too much detail for the Strategy, but this will inform early DtC discussions. Therefore the change below is proposed. Amend bullet point 7 as follows: • Community infrastructure including <u>education</u> , health and community facilities

			boundary on one authority, but which serve/ potentially serve populations of two or more authorities”.	
DtC21-7	Braintree District Council	General	No specific comments but look forward to engaging positively on cross boundary strategic matters in the future.	Noted.
DtC21-8	Marine Management Organisation	5.1	Highlights helpful resources for Local Plan making. Propose that Chelmsford Council respond to the MMO marine planning yearly monitoring surveys on the local Marine Plans to help anchor it internally and offer an opportunity for feedback regarding the marine plans. Wish to ensure that Seascape and its link to MCA as well as MPAs/MCZs are given adequate consideration under the ‘Natural and historic environment including increased biodiversity and green/blue/wild spaces’.	Resources noted for future use. Noted, and already actioned. Noted for consideration under DtC activity.
DtC-9	Natural England	5.1	It would be helpful to widen the scope of the issue relating to biodiversity and green infrastructure to include reference to improving the connectivity of ecological networks. This would sit well with Local Nature Recovery Strategies to be developed at a county-wide scale – therefore a strategic issue.	Noted for future action. Amend bullet point 6 to read: Natural and historic environment including increased biodiversity and green/blue/wild spaces <u>including improving the connectivity of ecological networks</u>
DtC-10	Transport for London	Appendix 1	No specific comments on the revised draft although, we welcome the inclusion of TfL in the list of Duty to Co-operate bodies in appendix 1.	Support welcomed.



Chelmsford Local Plan

**Draft
Duty to Co-operate
Strategy**

Consultation Document

November 2021

Contents

1	Introduction	2
2	What is the Duty to Co-operate Strategy?	3
3	Why do we need it?.....	4
4	Who is the strategy for?	5
5	The strategic issues	5
6	Our approach to duty to co-operate	5
7	Demonstrating we have met the duty.....	7
	Appendix 1 – Duty to Co-operate bodies	8
	Appendix 2 – Map of adjoining or nearby Planning Authorities	9

1 Introduction

- 1.1 Chelmsford City Council (CCC) is committed to co-operating with other bodies on strategic planning matters. We have a history of working together with neighbouring authorities and stakeholders on plan making and this continues today. This background of collaboration will provide a strong basis for us to continue effective joint working arrangements required to satisfy the legal duty test on our Local Plan review.
- 1.2 We adopted our current Duty to Co-operate Strategy in March 2015, ahead of developing our Local Plan which was adopted in May 2020. We have a statutory duty to complete a review of the Local Plan at least every five years. The review needs to take into account changing circumstances affecting the area and any relevant changes in national policy. Our adopted Local Plan covers the period to 2036, and the review will move the Local Plan forwards to 2041. It is the ideal time to refresh our Duty to Co-operate Strategy, ahead of this review.
- 1.3 Legislation and national planning policy requires strategic policy-making authorities to co-operate with each other, and other bodies, when preparing or supporting the preparation of policies which address strategic matters that cross administrative boundaries. This includes those policies contained in local plans (including minerals and waste plans), spatial development strategies, and marine plans.
- 1.4 This draft Strategy outlines our commitment to implementing the Duty to Co-operate for our Local Plan review. It explains in broad terms who we will seek to co-operate with, when we will co-operate and what co-operation mechanisms we will put in place. It provides a valuable guide to co-operation activity, and forms part of the evidence base supporting the Local Plan review.
- 1.5 Although the Duty to Co-operate is not a duty to agree, we will make every effort to seek co-operation on cross-boundary and strategic planning matters in a focused, positive and structured way. At the same time, we will continue to work constructively with nearby planning authorities on their own local plan preparation.
- 1.6 When the Local Plan review is finalised and reaches its Independent Examination, one of the legal tests will be whether we have complied with the duty to co-operate. Early engagement and demonstrating co-operation both with neighbours and the prescribed bodies through Statements of Common Ground are key to meeting the legal duty to co-operate.
- 1.7 The Government's Planning White Paper: Planning for the Future was published in 2020 setting out a series of proposals to reform the planning system in England, including a proposal to remove the Duty to Co-operate test.
- 1.8 Further consideration to any alternative approach to planning for cross boundary strategic issues has not been concluded. Until any alternative approach is announced, we will continue to use our Duty to Co-operate Strategy to ensure that strategic issues are fully considered as an important and helpful part of the plan-making process.

Consultation

- 1.9 Comments are invited on this draft Strategy to ensure we are taking the correct approach to meeting the Duty to Co-operate. It provides an opportunity for stakeholders to highlight any cross-boundary strategic matters that we may have missed and to identify any potential for joint or aligned policies. We will use all the feedback we receive to finalise the Strategy.
- 1.10 We are consulting until 21 December 2021. We would like your responses to the following questions:
- 1) Have we identified the right cross-boundary strategic issues related to your organisation?
 - 2) Should we add any strategic issues to the list?
 - 3) Have we identified the best methods of engagement for duty matters?
 - 4) Do you support the Council's approach and timetable for engaging with identified authorities and prescribed bodies?
- 1.11 You can make comments in the following ways:
- Online: www.chelmsford.gov.uk/planningpolicyconsult
 - By e-mail: planning.policy@chelmsford.gov.uk
 - By post: Spatial Planning Services, Civic Centre, Duke Street, Chelmsford, CM1 1JE.

2 What is the Duty to Co-operate Strategy?

- 2.1 This draft Strategy outlines how we will co-operate and engage on strategic matters when reviewing our Local Plan. Strategic matters are larger than local issues and cannot be dealt with by one local planning authority alone. For example, the provision of new housing, jobs, retail, infrastructure, and flood risk mitigation may impact on or depend on other organisations.
- 2.2 The Strategy sets out the co-operation and engagement arrangements which the prescribed bodies (see Appendix 1) and nearby planning authorities (see Appendix 2) can expect from us on strategic planning matters.
- 2.3 The Strategy aims to:
- Ensure proactive, on-going, focused and constructive co-operation on cross-boundary planning matters
 - Achieve legally compliant and 'sound' Local Development Documents, and
 - Facilitate effective strategic planning in the region.
- 2.4 We are determined to ensure that Duty to Co-operate activities positively influence the evolution of our Local Plan review and shape the proposals as they emerge. Whilst there is no duty to agree, we will make every effort to secure the necessary co-operation on strategic cross-boundary matters before we submit the Local Plan for Examination.

- 
 Strategic matters are defined in the Localism Act 2011 as:
 - (a) Sustainable development or use of land that has or would have a significant impact on at least two planning areas, including (in particular) sustainable development or use of land for or in connection with infrastructure that is strategic and has or would have a significant impact on at least two planning areas, and
 - (b) Sustainable development or use of land in a two-tier area if the development or use - (i) is a county matter, or (ii) has or would have a significant impact on a county matter.

- 
 The Local Plan review will guide growth and development in Chelmsford City Council's administrative area for the period up to 2041. It will provide the Council's vision, objectives and Spatial Strategy. It will also contain Strategic Development Policies, Development Management Policies, Site Specific land use allocations and a Local Plan Policies Map.

- 
 This Strategy is concerned with the implementation of the Duty to Co-operate on the emerging review of the Chelmsford City Council Local Plan. It is a policy document that sits alongside the Council's Statement of Community Involvement (SCI).

3 Why do we need it?

- 3.1 The Localism Act creates a duty on all local authorities and prescribed bodies (defined in Regulations and guidance) to co-operate with each other to address strategic matters relevant to their areas. Specific guidance on how authorities are expected to address strategic planning matters and apply the Duty to Co-operate is given in the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG). This guidance has been used to produce this draft Strategy.

- 3.2 When the Local Plan reaches its Independent Examination, one of the legal tests is whether we have complied with the duty to co-operate, as set out in the Planning and Compulsory Purchase Act 2004 (Para 33A). It is one of the first issues addressed at a local plan examination. Early engagement and demonstrating co-operation both with neighbours and Government bodies through Statements of Common Ground are key to meeting the legal duty to co-operate.

- 3.3 We will discuss the Local Plan review with neighbouring planning authorities and the prescribed bodies at stages which align with and inform the stages of the Local Plan review. These discussions will help to formulate the quantum and distribution of Chelmsford's future growth, which will be supported by updated evidence.

- 
 The estimated timetable for reviewing our Local Plan is set out within our emerging Local Development Scheme (LDS) and summarised below.

Local Development Scheme estimated timetable:

Issues and Options Consultation	May 2022
Preferred Options Consultation	Early 2023
Pre-Submission (Final Draft) Consultation	Late 2023/Early 2024
Submission of Local Plan for Examination	Summer 2024

4 Who is the strategy for?

4.1 The draft Strategy is aimed at neighbouring and nearby local planning authorities, Essex County Council and a range of other prescribed bodies as defined in legislation and guidance. These are listed in Appendices 1 and 2. These prescribed bodies are required to co-operate with us on strategic cross-boundary planning matters of common concern.

 The Strategy is not aimed at other Local Plan consultees such as local residents, community groups, Parish and Town Councils, landowners and developers as these are not Duty to Co-operate bodies. However, we will involve, engage and consult these people and organisations on our Local Plan review and when considering Planning Applications. More details are set out in our adopted [Statement of Community Involvement \(SCI\)](#).

5 The strategic issues

5.1 There is potential for a number of cross-boundary issues. The strategic matters that may apply to the Local Plan have been identified as follows:

- Delivering homes for all including Gypsy and Traveller accommodation
- Jobs and economy including green employment and regeneration
- Retail, leisure, and cultural development
- Sustainable transport, highways and active travel
- Climate change action and mitigation including flood risk and zero carbon
- Natural and historic environment including increased biodiversity and green/blue/wild spaces
- Community infrastructure including health and community facilities
- Utility infrastructure including communications, waste, water and energy.

6 Our approach to duty to co-operate

6.1 We and many other councils have a history of working together and with other bodies to address strategic planning matters of common concern. This historical background of co-operation will provide a strong foundation for implementing the Duty to Co-operate.

6.2 We will seek to ensure co-operation and engagement is undertaken appropriately for the Local Plan review i.e. that it is proactive, continuous, rigorous and constructive.

6.3 In some cases, discussion on strategic matters will continue through existing joint working arrangements. Key existing partnerships include:

Essex Planning Officers Association (EPOA)

County-wide group which considers Essex-wide approaches to strategic issues including working groups and commissioning of shared evidence base.

Housing Market Area

Chelmsford, Braintree, Colchester and Tendring Councils.

Collaboration on Strategic Housing Market Assessment.

Essex Coast Recreation disturbance Avoidance Mitigation Strategy (RAMS) Steering Group

Ongoing partnership of 12 Essex LAs, ECC, Essex Wildlife Trust, Natural England, and RSPB. Mitigation programme for the effects of anticipated residential development on Essex coastal habitats sites.

Essex Coastal Forum

Brings together decision makers for a wide range of coastline management activity and initiatives including Essex RAMS.

Essex Climate Action Commission

Includes a range of climate bodies, Chelmsford represented by Brentwood District Council. Advisory group to inform ECC on county-wide action to tackle climate change.

Essex Flood Partnership

Key stakeholders including all Essex Planning Authorities to contribute to a strategic overview of matters around flooding in Essex, and ensure a consistent and coordinated approach to flood risk management.

North Essex Economic Board

CCC, Colchester, Braintree, Maldon, Uttlesford, Tendring and ECC.

Co-operation on strategic growth issues.

Co-operation for Sustainable Development Officer Group

Includes West Essex and Neighbouring London Boroughs.

Considers plan-making, delivery, and impact of growth in the West Essex sector.

East of England Strategic Spatial Planning Officers Liaison Group

Considers the cross-boundary implications of the London Plan on areas outside the capital in the East and South East of England.

Transport East

Sub-national transport body for Essex with Norfolk, Suffolk, Southend-on-Sea and Thurrock, working on regional transport strategy with the Government.

Chelmsford and Braintree Public Transport Group

Officers from CCC, Braintree, ECC and First Bus. Information sharing on operational and network planning for the Chelmsford to Braintree corridor.

Strategic Estates Forum

NHS provider and commissioning representatives, with CCC and other LAs. Planning for new health facilities to accommodate anticipated residential development.

- 6.4 Other mechanisms may need to be established and any new authorities and bodies will need to be proactively engaged, in addition to the existing bodies and networks, depending on the strategic matters of common concern.
- 6.5 Throughout the Local Plan preparation process, we will keep the list of strategic matters and opportunities for joint working under review, which will in turn influence our engagement and co-operation activities. We are proposing the following co-operation arrangements and events:
- Joint Officer and Member meetings, committees and working groups
 - Technical stakeholder meetings
 - Issue or location focused workshops where appropriate
 - Commissioning of joint evidence base studies and reports
 - Memorandums of Understanding as a framework for co-operation
 - Capturing key decisions from other authorities/bodies in Statements of Common Ground which we will maintain and update throughout the Local Plan review.
- 6.6 We will carry out these arrangements in addition to statutory Local Plan and planning application consultations, and general correspondence that we issue.

7 Demonstrating we have met the duty

- 7.1 The 'Duty to Co-operate' is a legal requirement under the Localism Act 2011 of the Local Plan preparation process and is the first thing that the Planning Inspectorate will assess before considering whether the Plan is sound. To do this, the Planning Inspectorate will require comprehensive and robust evidence to demonstrate that the duty has been met for the Chelmsford City Council Local Plan at Examination (expected in Autumn 2024, see Paragraph 3.3).
- 7.2 We will monitor and report on co-operation and engagement activities through position statements at each stage of consultation to include notes of meetings, decisions taken and justification for actions taken. We will report these to meetings of the Council and use them to update our annual Authority Monitoring Report.
- 7.3 We will collate all this evidence into a Duty to Co-operate Statement of Compliance which we will submit alongside the Local Plan. This will highlight how preferred strategic approaches and policies have resulted from effective co-operation and joint working. This will also report on how we will take the duty forward through to plan implementation and monitoring.

Appendix 1

Duty to co-operate bodies

The following 'Duty to Co-operate' bodies are relevant to the preparation and implementation of the Chelmsford City Council Local Plan:

- Essex County Council
- Neighbouring and nearby local planning authorities including Braintree, Basildon, Uttlesford, Castle Point, Colchester, Rochford, Harlow, Southend-on-Sea, Tendring, Thurrock, Brentwood, Epping Forest, Maldon and London Boroughs adjoining Essex (see Appendix 2)
- Environment Agency
- Historic Buildings and Monuments Commission for England (Historic England)
- Natural England
- Mayor of London (Greater London Authority)
- Civil Aviation Authority
- Homes England (previously the Homes and Communities Agency)
- Primary Care Trust / Clinical Commissioning Group
- National Health Service Commissioning Board (NHS England)
- Office of Rail and Road
- Transport for London
- Integrated Transport Authority (Transport East)
- Highway Authority (Essex County Council)
- National Highways
- Marine Management Organisation

Although not subject to the requirements of the duty, regard will also be had to the activities of the following:

- South East Local Enterprise Partnership
- Local Nature Partnership

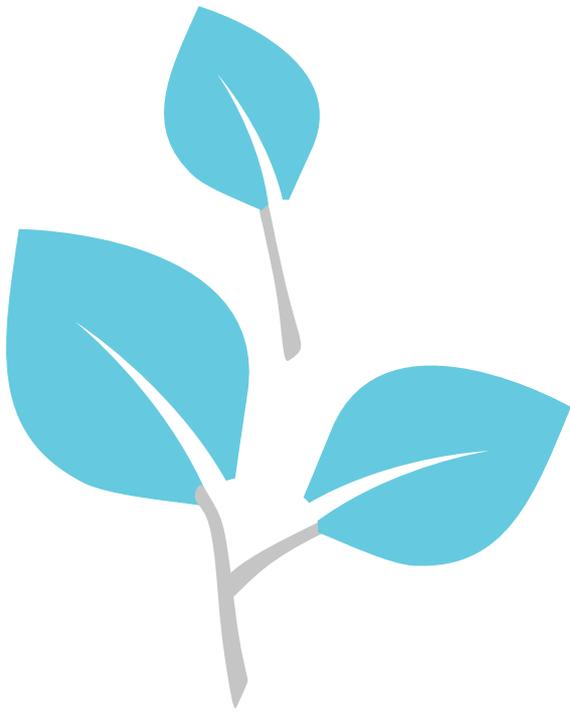
All these organisations are registered on our Development Plan Consultation Database.

Appendix 2

Map of adjoining or nearby planning authorities

Chelmsford City Council is adjoined by seven local planning authorities. Essex County Council is the local Highway Authority and Education Authority. It is also responsible for the Minerals and Waste Local Plans with Southend-on-Sea Unitary Authority.





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Chelmsford City Council Cabinet

25th January 2022

Capital, Treasury Management & Investment Strategies 2022/23

Report by:

Cabinet Member for a Fairer Chelmsford

Officer Contact:

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

Purpose

To recommend an approach for managing the Council's:

- Cash and
- Other types of investment including property

Options

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

Preferred option and reasons

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

Recommendations

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

1. Background

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

- Capital Strategy
- Treasury Management Strategy
- Investment Strategy

1.2. Capital Strategy

The Capital strategy **Appendix 1** sets out a framework for the management of capital finance and links to capital and revenue budget (plans) being reported to January Cabinet. The strategy is not reviewed by the Treasury Management and Investment Sub-committee.

1.3. Treasury & Investment Strategies

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

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

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

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

2. Executive Summary

Capital Strategy

- Sets limits to amounts that can be borrowed by the Council.
- Summaries the costs of the capital programme.
- Identifies how the Council plans to finance its capital expenditure programme.

Treasury Strategy

Investments

- Changes from last year's strategy are
 - A small change is proposed to categorisation of long-term investments moving from 364 days to 365 days.
 - No material changes from the previous year.
- It is proposed to have a target of at least £15m of liquid funds to manage cashflow during the year. This reflects monthly fluctuations in cash levels.
- Cash available for investment is expected to reduce as the Council intends to internally borrow to fund the capital programme.
- Interest income of £701,000 is expected in the budget for 2022/23 at a rate of 1.04% across the Council's portfolio. This assumes an increase in the Bank of England's base rate to 0.25%.

Borrowing

- No changes to last year's strategy are proposed.
- Borrowing will only be undertaken for the purpose of managing temporary liquidity or to fund the capital programme.
- A clarification from PWLB issued in 2021 means that any investment made by Council primarily for yield blocks access to PWLB borrowing. The implications are considered in the capital strategy.
- The Section 151 Officer under the constitution manages investments and borrowings. Current planning assumes internal borrowing will be the main source of funding, but the Section 151 Officer will externalise borrowing should it represent better financial value to the authority.

Non-Cash Investments (Investment Strategy)

- No new capital expenditure (investments) will be made where the purpose of the investment is primarily for yield. This restriction is broader than the 2020/21 Strategy which stated that the Council will not invest in commercial property. The PWLB has during 2021 clarified that it does not allow Councils to borrow if they undertake any capital investment primarily for yield.
- The strategy has provision to allow for the creation of a stand-alone housing company, if needed.

- The monitoring of non-treasury investments is undertaken by the Treasury Management and Investment Sub-committee.

3. Conclusion

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

3.2. Cabinet is asked to recommend the Capital Strategy to Council.

List of appendices:

Appendix 1- Capital Strategy 2022/23

Appendix 2 – Treasury Management Strategy 2022/23

Appendix 3 – Investment Strategy 2022/23

Background papers:

Nil

Corporate Implications

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

Financial: As detailed in the report

Potential impact on climate change and the environment:

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

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

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management:

The report is part of the Council's approach to managing risks arising from Treasury Management

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

Consultees:

Relevant Policies and Strategies:

Capital Strategy 2022/23

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

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

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

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

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

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

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

In determining viability, capital bids must include:

- details of the intended outcomes and potential running costs;
- statement of the risks of undertaking the scheme and how these will be managed;
- details of consultations undertaken in arriving at the proposal and any potential alternatives; and

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

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

- 1.4 Funding the Costs of Capital Expenditure

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

Methods of Capital Financing

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

- Sales of Assets (Capital Receipts): Any disposal of property or equipment over £10,000 in value is a capital receipt. These can only be spent on other capital items.
- Leasing: This is where we can use an asset in exchange for making a series of revenue payments over several years. From 2022/23 all leasing will be counted as a debt. However, leasing differs

from traditional debt as often the leasing company can retain legal ownership of the asset and is able to obtain capital allowances to reduce the cost to the Council.

- Borrowing (excluding leasing):
 - The Council can borrow externally from other local authorities, the Government or the private sector.
 - Borrowing can also be carried out internally, where cash balances are “borrowed” to fund capital expenditure.

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

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

The circumstances where each type of capital resource will be used depends on the nature of the scheme. Whilst developing scheme proposals, consideration should be given to the types of funding which offer the best value for money for the Council. Clearly, the optimal funding arrangements are those where third parties fund or help fund the investment. The S151 Officer will, at the end of each financial year, determine the appropriate funding for the capital programme.

1.5 Cost of the Capital Programme

In the 2022/23 budget, the Council is planning capital expenditure as summarised below:

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Replacement Programme	£2.565m	£4.047m	£5.483m	£2.589m	£3.324m
Capital Projects	£6.118m	£25.427m	£44.984m	£8.016m	£8.568m
New Capital Bid Submissions 2021/22 Require Approval		£0.168m	£2.777m	£2.653m	
Provision for potential new Capital Projects		£0.595m	£4.834m	£3.200m	£7.200m
TOTAL	£8.683m	£30.237m	£58.078m	£16.458m	£19.092m

Details of the programme can be found in the Budget Report 2022/23 section 4 table 5 and section 10, elsewhere on this agenda.

Financing of the programme is currently planned as

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Capital Receipts	£2.841m	£1.233m	£5.550m	£7.850m	£10.200m
Grants and Contributions	£3.923m	£13.576m	£31.935m	£4.986m	£7.999m
Revenue Contributions	0.000m	£3.418m	£1.555m	£0.300m	£0.100m
Borrowing	£1.919m	£11.738m	£17.893m	£3.181m	£0.429m
Finance Leases	£0.000m	£0.272m	£1.145m	£0.141m	£0.364m
TOTAL	£8.683m	£30.237m	£58.078m	£16.458m	£19.092m

1.6 Borrowing strategy

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

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

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Leasing (Debt)	£0.635m	£0.468m	£1.597m	£1.121m	£0.919m
External Borrowing	£0.000m	£0.000m	£0.000m	£0.000m	£0.000m
Total "External Borrowings"	£0.635m	£0.468m	£1.597m	£1.121m	£0.919m
Total Capital Financing Requirement (CFR)	£14.031m	£23.456m	£42.104m	£44.066m	£43.286m
Internal Borrowing (makes up the difference between CFR and external borrowings)	£13.396m	£22.988m	£40.507m	£42.945m	£42.367m

The Government guidance identifies that local authorities should not borrow more than, or in advance of, their needs purely in order to profit from investment of extra sums borrowed. It also makes clear that this extends to borrowing taken on to finance the acquisition of property or other forms of non-financial assets. Local authorities can acquire financial or non-financial assets from capitals receipts but should not repurpose receipts allocated to the acquisition of assets that contribute to service delivery to fund the purchase of investments, solely to avoid the requirements against borrowing in advance of need. However, the guidance does allow for local authorities to disregard this provision of borrowing to fund investment activity with appropriate explanations contained in the Capital and Investment Strategy. The City Council will undertake borrowing to finance commercial property where it meets other strategic requirements such as economic regeneration or supporting small and medium enterprises (SMEs) for example, and also to profit from the sums borrowed, but only after undertaking robust due diligence and review of risk (including an assessment of proportionality of the investment to reflect the scale of the Council's operations).

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

MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis up a period of 50 years. For assets acquired under finance leases the principal repayment inherent in the lease will be used as the basis for MRP in respect of those assets. This policy does not prevent the Council from making early or one-off repayments of debt from Capital receipts or from revenue provisions.

Planned repayments of debt, net of self-financing schemes, are shown below

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
MRP	£0.275m	£0.666m	£0.909m	£1.131m	£1.340m

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

Authorised limit and operational boundary for external debt in £m

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
Authorised limit - total external debt	£24m	£43m	£45m	£44m
Operational boundary - total external debt	£0.65m	£0.48m	£1.6m	£1.13m

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

Operational Boundary – total external debt – this is based on the debt outstanding on forecast finance leases. Future changes to accounting regulations may require restatement during 2022/23.

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

2. Sustainability - Capital Funding

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

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

Appendix 1

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales	£1.185m	£1.083m	£5.000m	£7.300m	£10.000m

There were no material disposals in 2020/21 and the £1.185m was from the disposal of three assets. In future years the asset sales include Waterside parcels of land and Riverside old pool site.

At the end of 2025/26 there is currently forecast a balance of £9.6m receipts from the sales of significant assets.

Treasury Management Strategy

- 1.1 Treasury Management at Chelmsford City Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA code) which requires the authority to approve a Treasury Management strategy before the start of each financial year. This report fulfils the authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA code.
- 1.2 CIPFA is currently in the process of proposing a new TM code, but responses to the consultation from Local Authorities have not been finalised and the new code has not been approved. The Council's 2022/23 Treasury Management Strategy will continue to have regard to the 2017 TM code, rather than the draft 2021 TM code. CIPFA have advised the new code does not need to be implemented until April 2023. Officers will provide the Treasury Management and Investment Sub-committee with updates on the code.
- 1.3 Treasury Management covers the management of the Council's cash flows, borrowing and investments, and any associated risks. Chelmsford City Council has substantial cashflows and investments from its activities and is therefore exposed to a series of financial risks including the loss of invested funds. Risk also comes from possible changes in interest rates affecting investment income or the cost of any external borrowings.
- 1.4 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
 - (c) yield.
- The Government regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.
- 1.5 It is important to note that the borrowing of monies purely to invest or lend on to make a return is unlawful and this Council will not engage in such activity. The borrowing of monies to fund the capital programme is allowed.
- 1.6 In the event of major changes to the external or internal context in which this strategy has been set, it may be necessary for the Council to revise its strategy during the year.
- 1.7 This Treasury Management Strategy will focus solely on investments arising from the organisation's cashflows and debt management activity and matters of borrowing. Non-treasury investments will be covered separately under the Investment Strategy (**Appendix 2**). The monetary limits on borrowing will be set in the Capital Strategy which forms part of the 2022/23 budget papers going to Cabinet and Council in the new calendar year.

2. External Context

- 2.1 The Council's Treasury Management Strategy operates in a macroeconomic environment which can have a significant impact on the Council's treasury operations in terms of inflation, interest rate and counterparty risks.

The economic environment and interest rate forecast

- 2.2 The ongoing impact on the UK from coronavirus, together with higher inflation, the likelihood of higher interest rates, and the country's trade position post-Brexit, will be major influences on the Treasury Management strategy for 2022/23.
- 2.3 The Bank of England (BoE) held Bank Rate at 0.10% in November 2021 and maintained its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 7-2 to keep rates on hold and 6-3 to maintain the asset purchase programme. Within the announcement the MPC suggested interest rates would be increased soon, but to less than the 1% level expected by financial markets.

Within the November 2021 Monetary Policy Report, the Bank expected consumer price index (CPI) inflation to peak at around 5% in April 2022 before falling back as the impact from higher energy prices fades and demand slows. UK CPI for October 2021 registered 4.2% year on year.

The most recent labour market data for the three months to August 2021 showed the unemployment rate fell to 4.5% while the employment rate rose to 75.3%. Both measures were helped by the extension of the government's furlough scheme, but this ended in September 2021 and while this may put some pressure on the jobs market, it is not expected to be material, with the BoE forecasting unemployment will only increase modestly in Q4 2021 according to its November 2021 Monetary Policy Report but remain low overall.

Credit Outlook and counterparty risk

- 2.4 Where operationally possible, the Council tries to reduce the amount of unsecured bank deposits it holds in reaction to the "bail in" risk arising from reform to the banking sector. Under "bail in" provisions, investors would face losses to their deposits and shareholdings in order to recapitalise a bank before any Government bailout would occur.

The institutions on the Council's approved counterparty lists are well-capitalised and general credit conditions across the sector are expected to remain benign, limiting the chances of losses to the Council.

- 2.5 Public Bodies provide much less risk as investment counterparties, but yields are usually lower. The Council should, where possible, continue to spread investments over different organisations and different investment categories (property, pooled funds, public bodies, etc) to provide a satisfactory balance of security of capital and return.

3. Local Context: Investment Balances and Potential External Borrowing

- 3.1 At the end of November 2021, the Council held £86.8m of investments. These investments arise from balances including unspent Community Infrastructure Levy (CIL) and reserves, as well as income received in advance of expenditure. Also, the Government's support to Councils and

Businesses has increased cash holding over the last year, the majority of this cash has either been paid out to Businesses or returned to the government on finalisation of the various schemes, however, the Council still holds a small proportion of cash relating to this in 21/22.

The level of investment balance is not expected to be as high over the next couple of years but is then expected to rise slightly in view of increasing income from the Community Infrastructure Levy scheme under the new Local Plan and relatively reduced spend on the Capital Programme.

Forecasted year end investment balances are detailed in the table below. These are best estimates at this stage, significant variation could occur due to changes in the Capital Programme and other changes. *(please note should the budget included new capital proposals, then below figures will be amended before the report is presented to Council by the Section 151 officer)*

Date	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
Balance (£m)	66	34	35	40	62

- 3.2 During most months the cash balance can rise and fall by between £10-15m due to receipt of income and payment of precepts to other Essex bodies. The Council should therefore aim to keep sufficient cash in hand to manage these fluctuations. Alternatively, it can undertake temporary borrowing, but will do so wherever possible in advance of need to ensure sufficient liquidity. It is not expected that the Council will have to undertake temporary borrowing for liquidity purposes at the time of drafting this Strategy.

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

- 3.3 The Capital Strategy published with the Revenue 2022/23 budget papers will include debt limits reflective of the 2022/23 budget.

The CFR (Capital Financing Requirement) is the amount of capital expenditure the Council has financed by (internal or external) borrowing. The budget report will update the forecast of the CFR. The current level of CFR reflects the decisions taken by Council to cease revenue contributions to capital in 2019/20 and 2020/21.

The historic level of CFR is shown in the table below with the external and internal debt.

Temporary Use of Surplus cash	Mar 2021	Forecast Apr 2022
Capital Financing requirement	14.410m	23.151m
External Debt	0.635m	0.531m
Surplus cash internally borrowed	13.775m	22.620m

The main advantages of this strategy are a lower exposure to external debt, and at the same time, lower exposure to counterparty risk in external investments.

However, no strategy is entirely risk free. The main risk of using cash surpluses generated as described above is that some will be available only temporarily. When the cash is required for its original purpose, the authority may need to borrow externally to fund its capital spending plans at a time when interest rates are higher or other conditions are not favourable.

The Council has reserves which can be considered as cash backed and can be invested for longer periods as the Council always maintain a certain level of reserves and working capital. It is not unusual for Councils to hold investments equal to working capital whilst external debt is being used to fund capital expenditure. Working capital is the day-to-day cash balances held for the normal operations of the Council such as making payments to suppliers.

There can be an opportunity cost on internal borrowing which is the interest we could have earned externally (the margin between external borrowing costs and investment income). On most occasions the interest rates on borrowing are higher than those earned on investments made by the Council. However, if long-term borrowing rates are expected to rise, then it may be favourable to borrow to lock into favourable funding, the cash can be held as investments until utilised to pay for expenditure. The consultation on a new CIPFA code does seek views on what is best practice regarding balancing external and internal debt levels. Officers will have regard to the conclusions of the code when undertaking Treasury Management next year, but this will only be formally adopted for 2023/24.

The Section 151 Officer undertakes Treasury Management within the limits set by the Capital Strategy and has the flexibility to adjust the balance between borrowing and investments to meet changing circumstances. The current preferred option is to as far as possible, internalise all surplus funds. However, with rates potentially starting to rise it may become prudent to lock into longer-term debt and this option should remain open to the Council.

3.4 The principles of how borrowing could be undertaken externally are discussed in Section 5 below.

4 Investments 2022/23

4.1 The Council's treasury investment strategy will prioritise its investment objectives in the following order:

- Security of assets – investing in counterparties only where the risks of incurring a capital loss through default and the risks of late payment of principal and interest, are low. Also, by spreading risk as widely as is practically possible.
- Liquidity – Ensuring that the authority can access enough cash to meet its obligations with appropriate notice. It is recommended for 2022/23 a target of at least £15m of short notice funds is held. The definition of short notice will be any held for less than or equal to 35 days.
- Yield – subject to the management of risks associated with security and liquidity of assets, the Council will seek to maximise the yield from its investment portfolio

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

4.2 One minor change to investment counter party rules is proposed for 2022/23 compared to 2021/22 to allow 365-day investments rather than limiting to 364 days. This is outlined in the tables below. The Council takes advice from Arlingclose, the Council's Treasury Advisors in determining who are suitable counter parties to hold Council funds.

4.3 No fixed duration investments over 365 days are currently proposed for 2022/23. This can be reviewed during 2022/23 depending on interest rates, cashflow and counterparty risk. It is

recommended any investments beyond 365 days are at the discretion of the Section 151 Officer, up to a limit of £10m limit as recommended in Section 7.4.

- 4.4 The Council use Credit Ratings and Arlingclose's recommendations to determine suitable counter parties. Arlingclose's approach is not based on a rigid model but on an assessment of a range of measures that require a final human judgement of the overall risk. The assessments include the following: credit ratings, the likelihood of UK or another Government support, market information (e.g., share price or Credit Default Swap), collateral offered by the Counter Party, types of activity undertaken by the institution and other external advice. The Counter Parties recommended in this report reflect discussions by officers with Arlingclose, which are then reviewed by the Cabinet Member for Fairer Chelmsford and the Treasury Management and Investment Sub-committee.

Arlingclose aim to promote security of assets first through diversification, as well as limits on the sums invested and limits on which counterparties the Council can invest with. An approved list of counterparties is released by Arlingclose each month.

The Council policy has been and is recommended to differ from Arlingclose advice when it comes to duration of investments with Banks (UK and Foreign) and Building Societies. Officers have been concerned that Arlingclose have taken too cautious an approach to assessing duration limits, an example being 35-100 days limits for investments with UK clearing banks. The Council's Officers have focused more on credit ratings and an assessment of systematic importance to UK economy when assessing investment duration. This allows the Council to have a slightly longer duration and increased pool of potential counterparties, whilst maintaining diversification of investments and therefore security of the Council's assets. How this works in practice is explained in sections 4.6, 4.7 and 4.8 below, whilst section 4.13 sets out the duration limits allowed.

No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

Given the advice received by the Council regarding credit risks, sub-inflation returns and potential economic slowdown the Council will retain within the strategy the following investment types:

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

- 4.5 **Enhanced Money Market and Money Market Funds.** The Council has access to enhanced money market funds (AAA rated) which offer a rate of return (0.0-0.1%) but require 2 – 5 days' notice to withdraw funds.

The Council invests short-term cash in several AAA-rated money market funds. These funds provide a modest rate of interest around 0.01% at November 2021 and most importantly allow same day access to funds. Interest rates are linked to the BOE base rate and so any increase in this will feed through to the rates earned for the Council.

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

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

Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans). These are theoretically as safe as lending to Government, but what would happen should a Local Authority go bankrupt has never been tested in law. It is therefore prudent to place some limit on investments with each local authority but recognising this type of investment is much safer than most alternatives. Arlingclose offer some guidance on risks of each local authority but the data is based on snap-shot year end accounts as only a few authorities can afford the cost of ratings by credit agencies.

- 4.7 **Unsecured UK bank investments.** The changes to UK Bank regulation from the adoption of a “bail-in” approach to recapitalising banks and the move to ringfencing of UK bank retail operations has increased the amount that could be lost in the event of a bank failure. With the completion of ringfencing activities by major banks to protect retail investors from investment banking losses, different banks have placed local authority depositors in either the retail or investment banking divisions. It should be noted that the credit scores for the banks with which the Council operates have either remained the same or improved as a result of ringfencing. The Council believes that it is prudent to invest with banks who are on Arlingclose’s approved lists. Arlingclose only recommend investments with UK banks for up to 100 days. The Council differs from Arlingclose advice in terms of the length of investment, up to a period of 365 days. But only if the credit rating criteria (table 4.13 below) is met and no information is available that identifies unacceptable risk. The Council will not invest with any bank that is not on the approved Arlingclose list.

- 4.8 **Unsecured building society investments.** Arlingclose have in the past recommended a wide pool of Building Societies that its clients could invest with. During this time, the Council was not comfortable with this approach as some Building Societies were recommended which did not have sufficiently high credit ratings. The Council therefore chose to go beyond Arlingclose advice and only invest with Building Societies with a long-term credit rating of A- and only for up to and including 365 days. In recent times, Arlingclose have significantly reduced the number of Building Societies on their approved lists, so that at present, only Nationwide Building Society are an approved counterparty. The Council’s treasury strategy therefore takes a different approach to investing with building societies than that recommended by Arlingclose, and will continue to look at credit rating first, requiring that building societies have a long-term credit rating of at least A-. This is the same as the Council’s previous counterparty policy for Building Societies.

- 4.9 **Unsecured Non-UK bank investments.** Arlingclose review the approach to investment with non-UK banks separately to UK banks. This reflects the different risks and ownership structures that affect the security of the investment. The Council first uses Arlingclose advice to select appropriate non-UK banks and then uses credit rating information to make investment decisions. The Council uses credit rating of AA- for selecting investments with non-UK banks of up to 365 days but over 100 days and A- for investments of up to 100 days. Arlingclose recommends a limit of 35 days for investments with non-UK banks on their approved counterparty list. The Council differs from Arlingclose advice in terms of the length of investment, as long as the credit rating criteria above are met. An example of where this may differ would be an investment with DBS bank, which currently has a credit rating of AA- (Fitch). This credit rating is better than several of the UK banks that are approved on Arlingclose’s counterparty list and so the Council is comfortable investing for a longer period than Arlingclose

recommend, as per the credit rating criteria above. The Council will not invest with any bank that is not on the approved Arlingclose list.

- 4.10 **Registered Social Landlord (RSL) Loans.** The Council can lend to RSLs in the pursuit of treasury management objectives but must treat any loans made for policy reasons as capital expenditure. The option to lend for Treasury purposes has been on the Council's counter party list for several years but there has not been a suitable opportunity.
- 4.11 **Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds.** These are all different investment products but have in common the highest levels of credit rating. They are either backed by a pool of guaranteed bank assets or UK and/or foreign Governments. The Council takes advice from Arlingclose before undertaking any of these investments, so an investigation of the individual strength of each investment has been determined. They are rarely used by the Council.
- 4.12 **Multi-Asset, Bond and Property Funds.** These potentially offer the Council income and capital growth of the sum invested. There are several types of fund including property funds, bond funds, equity funds and multi asset funds. Funds seek to reduce risk by building a pool of investments and as such are considerably safer than an investment of comparable size in a specific single asset.

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

At the time of drafting this report the Council has an investment of over £6m in the CCLA property fund and 3 further investments in Multi-Asset funds totalling just under £10m.

- 4.13 **Challenger Banks.** As part of the Government's policy to reduce the size of banks and to encourage competition, new 'challenger banks' are appearing in the UK banking market. Many of these challenger banks are unrated but do have high levels of capital buffers. There has been insufficient evidence to demonstrate during 2021/22 that investments would be appropriately secure. However, it is recommended that the Treasury Management and Investment Sub-committee reviews any new evidence on these challenger banks and if satisfied that they provide sufficient Security, Liquidity and Return, that up to £3m could be invested by the Council.
- 4.14 **Counterparty – Duration and Monetary Limits**
The duration that an investment is made for impacts on the level of risk to the capital invested. The longer the investment the more risk of some unexpected change occurring to the financial strength of the deposit taker. Perhaps, more importantly the Council can only invest for durations that enable Council liquidity to be managed effectively. To reduce these risks limits can be placed on the length of investments. The Council is required by law to identify the proposed investment criteria under the categories Specified and Non-Specified, as shown below:

Specified Investments

- investments of duration less than or equal to 365 days and denominated in sterling.
- investments made to UK Government, UK local authorities or institutions of high credit quality.
- high credit quality defined as a minimum A- by Fitch or the equivalent score of the other main rating bodies (Standard & Poor's, Moody's).

Appendix 2

Specified Counterparty	Minimum Credit Criteria	Max. Limit £m	Max. maturity period	Change from Prev. approach
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5-day notice	None
Money Market Funds (per fund)	AAA	£6m each fund	Instant Access	None
Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts	UK Government	No Limit	365 days	Increased to 365 days from 364
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m each authority	365 days	Increased to 365 days from 364
UK Banks	A-	£3m for each group	365 days	Increased to 365 days from 364
Building Societies	A-	£3m for each group	365 days	Increased to 365 days from 364
Non-UK Banks	AA-	£3m each group	365 days	Increased to 365 days from 364
Non-UK Banks	A-	£3m each group	100 days	None
Registered Social Landlord Loans	A-	£3m each group	365 days	Increased to 365 days from 364
Covered Bonds	AA-	£6m	365 days	Increased to 365 days from 364
Reverse Repurchase Agreements (each agreement)	AA-	£6m	365 days	Increased to 365 days from 364
Supranational Bonds (per institution)	AAA	£6m	365 days	Increased to 365 days from 364

A factor in setting the current individual limit of £3m per financial institution was it represented some 5% of total funds (as can be seen in predicted year-end balance for 21/22 in table in section 3.1), clearly as investment balances fall the £3m represents a greater percentage of total funds, so investments become less spread proportionally if the £3m limit is kept.

However, reducing the £3m limit would reduce the number of institutions willing to take Council deposits as the investment is judged too small to be economic for large institutions. Indeed, there are several institutions who will not accept £3m from the Council as this is too small for them. The strategy must therefore balance these factors and for 2021/22 has retained the £3m limit.

Non-specified Investments				
These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk				
Counterparty	Min. Credit Criteria	Max. Limit £m	Max. maturity period	Change from existing approach
CCLA Local Authority Property Fund	Unrated	£8m	n/a	None
Multi-Asset or Bond funds	Unrated	£5m per fund	n/a	None
Covered Bonds (per bond)	AA-	£6m	3 years	None
Supranational Bonds (per each institution)	AAA	£6m	3 years	None
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m each authority	5 years	None
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Management and Investment Sub-Committee authority to determine criteria to invest up to £3m		

5. Borrowing Sources

5.1 The Council has a need to fund its capital plans from borrowing. This section of the strategy sets out the Council's approach to borrowing. Long term borrowing is only used to fund the capital

programme so the level of borrowing will never exceed the CFR for any meaningful amount of time. As previously stated in Section 3.3, the CFR (Capital Financing Requirement) is the amount of capital expenditure the Council has financed by internal or external borrowing and so will be determined by the Budget Report 2022/23.

- 5.2 As identified in Section 3.3, the current assumption is internal borrowing is prioritised over externalising debt, however, the Section 151 Officer will monitor external rates of borrowing and the sustainability of using internal borrowing to determine if it becomes more beneficial to externalise the debt.
- 5.3 When the Authority needs to borrow externally it will seek to strike a balance between minimising interest costs and securing certainty of borrowing costs. Examples of where the Council can seek to borrow funds from are:
- Public Works Loan Board (PWLB). This is only allowed if a Council has no approved capital plans to purchase assets primarily for the purposes of yield. More details can be found in the Investment Strategy and paragraph 5.4 below.
 - Other UK Local Authorities. This is usually relatively short-term debt running from a few days to two years in duration.
 - Any institution which meets the Council's investment criteria.
 - UK public or private sector pension funds (Excluding the Essex Local Authority Pension Fund).
- 5.4 The PWLB can lend for up to 50 years and also for the short term to Local Government. The PWLB is the source of loans/funds if no other lender can provide finance. The Government after a period of consultation has announced that the PWLB will not lend to an authority that plans to buy investment assets primarily for yield that is identified in their capital programme. The Section 151 Officer will be expected by the PWLB to certify that no such purchases are planned.

The CIPFA guidance by which Local Authority treasury management is assessed and governed, will likely be amended to encourage further restriction of borrowing to fund investment purchases. This has been reflected in the draft TM code produced by CIPFA. However, officers believe the draft nature of the code makes it difficult to define impact on the 2022/23 strategy. So, as previously stated any changes finally agreed by CIPFA will not be imposed/implemented until April 2023, although officers will have regard to the new code when undertaking Treasury Management in 2022/23.

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

- 5.5 The Council already has in place the following set of debt indicators and will revise them in the Capital Strategy:
- The Authorised Limit is the limit placed by the Council on the absolute level of its gross debt at any time. The Local Government Act 2003 stipulates that it must not be breached at any time.
 - The Operational Boundary on the other hand is a lower figure reflecting the planned maximum level of debt at any time, the difference being designed to give headroom to deal with unforeseen movements in cash flow. It will not normally be a matter of concern if the Operational Boundary is breached temporarily due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would require investigation and appropriate action.

The authorised and operational borrowing will be set out in the Capital Strategy to be published in January 2022; they will be linked to the CFR (the borrowing needed to fund the capital programme).

Should the Council undertake long-term borrowing during 2022/23 then the Section 151 Officer will establish indicators to assist in the management of borrowing and these will be reported back to members. Indicators will also reflect where possible the new CIPFA code.

- 5.6 Officers may find it appropriate to undertake short-term borrowing for liquidity purposes.
- 5.7 In addition to borrowing via loans, other debt financing models may be used to finance the capital programme where this represents best value for the authority. These forms of debt are included in the overall borrowing limits. Such debt finance models include:
- Sale and leaseback arrangements
 - Hire purchase arrangements

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

- 6.1 The Sub-committee will be informed of investment activity and of significant changes in conditions that lessen or increase the risks of the Council's Treasury Management activity. The Sub-committee will where necessary, recommend changes to officers and report back to Council.

7. Treasury Management Indicators

- 7.1 Officers will review the indicators once the finalised version of the CIPFA code is published. Until then the following Treasury Management Indicators will be used. These assist in measuring and managing the Council's exposure to Treasury Management risk in 2022/23.
- 7.2 The Council has both limits and targets within the below indicators. Limits cannot be breached during the time period covered by the Strategy, whereas Targets are an aim that Officers will try and work within, but which can be breached during the year if absolutely necessary.
- 7.3 Liquidity – The liquidity indicator seeks to ensure that the Council has the necessary funds to meet its normal day to day payments.

Liquidity Risk Indicator	Target
Total cash available within 35 days	£15m

- 7.4 Long-Term Treasury Management Investments – This indicator sets two separate limits, one limit on the total amounts invested in longer term instruments with no fixed maturity date such as Multi Asset or Property funds, and one on the limit of total amounts invested in fixed term investments over 365 days

Long Term Investments Indicators	Limit
Total cash invested over 365 days with a fixed maturity date	£10m
Total cash invested with no fixed maturity date	£20m

(The £10m limit for cash invested over 365 days is only expected to be used if cash balances turn out materially different than forecasted)

- 7.5 Counterparty Indicator – This indicator measures whether the Council has operated within its approved limits for counterparties.

Counterparty Indicator	Limit
Council and Arlingclose counterparty approved limits	No breach

- 7.6 Target Income Yield – This indicator measures the interest income return for the Council's investments in funds, as these are the most significant drivers of investment income as a whole.

Yield Indicator	Target
Interest Rate Earned on external funds	3%

8. Interest Income

- 8.1 The budget for interest income for 2022/23 is £701,000, based on an average investment portfolio of £67.5m at an interest rate of 1.04%. If actual levels of investments or actual interest rates differ from those forecasted, performance against the budget could be significantly different.

Investment Strategy

This document ensures compliance with the requirements of the CIPFA Prudential Code and Department for Levelling Up, Housing and Communities (DLUHC) guidance on local authority investment. The CIPFA code and DLUHC guidance recognise that organisations may make investments for reasons outside of treasury management objectives and these investments may prioritise other objectives above the security of capital. A consultation on a new Prudential code is taking place so any changes will be identified and implemented by April 2023 in line with the timetable placed on the Council.

Contents of the Investment Strategy

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

Investment Primarily for Yield (overarching principle)

New guidance from the PWLB issued in 2020/21 prevents any local authority from borrowing from it for any purpose, if, the authority in the current or following 2 years has plans in its capital programme to invest in assets primarily for purpose of obtaining yield. This new guidance is more restrictive than the previous guidance which placed limits only on commercial property investment. The City Council can access non-PWLB sources to fund capital investment. However, the Council approved last year the principle that keeping access to PWLB borrowing was more important than keeping the option to undertake the purchase of investment property primarily for yield. So, the recommended overarching principle in the investment strategy is that the Council will not undertake any capital investment with the primary objective of yield.

Service Investments: Loans and Shareholdings

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

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

Category of borrower	31.3.2021 actual			2022/23
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Chelmsford City Football Club	£0.104m	£0.104m	£0.000m	£0.104m
BID Company	£0.022m	Nil	£0.022m	£0.011m
Maximum New loans if required.	Nil	Nil	Nil	£10.000m
TOTAL LIMIT	£0.126m	£0.104m	£0.022m	£10.115m

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

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

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

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

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

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

Commercial Investments:

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

The Council's commercial property investments are summarised below.

Property Type	31.3.2021 actual £ms					31.3.2022 expected £ms			
	Acquisitions	Disposals	Transfers*	Gains or (losses)	Value in accounts	Acquisitions	Disposals	Works/ Additional Gains or (losses)	Value in accounts
	In Year	In Year				In year	In Year	In Year	
Office	£0.00	£0.00	£0.00	-£0.95	£19.57	£0.00	£0.00	£1.1	£20.67
Other	£0.00	-£1.31	-£0.68	-£0.10	£6.12	£0.00	-£0.14	£0.00	£5.98
Retail	£0.00	-£0.18	£0.00	-£8.56	£46.56	£0.00	£0.00	£0.00	£46.56
TOTAL	£0.00	-£1.49	-£0.68	-£9.61	£72.25	£0.00	-£0.14	£1.1	£73.21

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

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

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

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness. The Council has not committed to any such agreements.

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Accountancy Services Manager (Section 151 Officer) is a qualified accountant with over 25 years' experience, the Head of Property is a member of the Royal Institution of Chartered Surveyors with over 20 years' experience in both Public and Private Sectors. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and external short courses in order to keep abreast of developments and maintain up to date skills and knowledge.

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

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

Investment Indicators

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

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

Total investment exposure	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	£47.2m	£66m	£34m
Service investments: Loans	£0.126m	£0.115m	£10.144m
Commercial investments: Property	£72.25m	£73.21m	£72.76m
TOTAL INVESTMENTS	£119.576m	£139.325m	£116.904m

The changes in commercial property values are projected changes in assets values, which given the Covid pandemic and structural changes to the economy (home working) are highly uncertain.

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

Investments funded by borrowing	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast	31.03.2024 Forecast
Service investments: Loans	Nil	Nil	Nil	Nil
Commercial investments: Property*	£3.5m	£3.5m	£3.4m	£3.4m
TOTAL FUNDED BY BORROWING	£3.5m	£3.5m	£3.4m	£3.4m

*A commercial property was funded by debt in 2019/20 as a result of the Council decision to not make revenue contributions to capital in 2019/20 due to the pandemic. If the revenue contributions had been made the overall level of borrowing would have been lower and the commercial assets (Aquarium offices) would not have been funded from internal borrowing.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investments net rate of return (income)	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Treasury management investments	0.62%	0.69%	1.04%
Service investments: Loans	Nil	Nil	Nil
Commercial investments: Property	5.56%	5.22%	5.31%
Treasury Management Income £ms (draft estimate 22/23)	£0.5m	£0.5m	£0.7m
Investment Rent Income £ms (draft estimate 22/23)	£4.0m	£3.9m	£4.2m

Other investment indicators

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

Estimates	2020/21 estimate	2021/22 estimate	2022/23 estimate	2023/24 estimate
Income from Treasury Management as Percentage of Net Revenue Income	No longer to be measured less than 1% of budget			
Total Borrowing Undertaken to Fund Investment Properties	£3.5m	£3.5m	£3.4m	£3.4m
Commercial Income as percentage of Net Service Expenditure	10.32%	9.64%	10.03%	11.42%

The estimates/indicators reflect the historic decisions and the schemes included in the proposed/approved Capital programme. Below are limits on investments which reflect the estimates above plus allowance for some headroom or flexibility to undertake higher levels of investment activity. The limit is that recommended by the Section 151 Officer. These limits are required under Government guidance and should not be exceeded. If the Council does exceed these limits, then it is expected not

to rashly dispose of investments but instead should avoid entering into any further investments except for short term Treasury Management activity until appropriate alleviation of the breach is undertaken.

Limits	2021/22 Limit	2022/23 Limit	2023/24 Limit	2024/25 Limit
Commercial Income as percentage of Net Service Expenditure	14.8%	16.3%	15.5%	16.7%

Role of Treasury and Investment Sub-committee

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

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

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



Chelmsford City Council Cabinet

25th January 2022

Update to Budget Report 2022/23: Energy Costs

Report by:

Cabinet Member for a Fairer Chelmsford

Officer Contact:

Phil Reeves, Accountancy Services Manager (Section 151 Officer), 01245 606562

phil.reeves@chelmsford.gov.uk

Purpose

To update the published Budget Report as a result of recent information received on the Council's energy prices for 2022/23. This update identifies an additional use of reserves to meet an unexpected additional cost.

Options

To accept recommendations on financing the additional costs or seek further savings to balance the budget.

Preferred option and reasons

The recommendations provide the most flexibility and do not prevent savings being found to offset the additional costs outside the budget process.

Recommendations

That Cabinet

- i. approves the amendment of the budget for the additional £600k due to energy price increases identified since the completion of the draft Budget Report

- ii. notes that at this time it is unclear how much of the higher costs are ongoing beyond 2022/23
 - iii. approves the approach that the additional ongoing implications should be addressed in the July Medium-Term Financial Strategy report to Council. That it is not appropriate to seek additional savings, efficiencies or income to fund the higher cost before approving the 2022/23 budget.
 - iv. recommends to Council the additional use of unearmarked reserves to fund the higher costs in 2022/23
 - v. approves a delegation to the Section 151 Officer to amend the Budget Report for submission to Council to allow for the consequences of the higher energy prices identified, after consultation with the Cabinet Member for a Fairer Chelmsford.
-

1. Background

- 1.1. The Council Budget Report contains provision for a 38% increase in Council expenditure on gas and electricity costs in 2022/23. The increase, due to the widely reported energy market price rises, led to the inclusion in the Cabinet report of provision for additional cost of £500k in 2022/23. This increase was identified by the Council's energy broker in the autumn.
- 1.2. The Council has in place a contractual brokerage agreement with Crown Commercial Services (CCS) to provide best value electricity and gas supplies. CCS are the largest provider to the public sector of energy purchasing.
- 1.3. The Council's energy agreement runs from April to March each year. CCS purchase energy in tranches, usually in advance, to attempt to obtain the best average price possible for the coming year.
- 1.4. Just before the new calendar year, the Council was advised by CCS that gas prices would more than likely increase by 209% and electricity by 69% in 2022/23. It was not possible in the time available for officers to review the information and update the draft Budget Report.
- 1.5. The expected additional price increase requires a further budget provision of £600k for 2022/23 (above that shown in the Budget Report).

2. Electricity and Gas Usage

- 2.1. The Council is a large consumer of gas and electricity as a consequence of its provision of leisure facilities including pools and an ice rink to the public. The 2021/22 budgets for gas are £373k and for electricity are £971k.
- 2.2. In light of the Climate and Ecological Emergency Declaration in 2019, the Council has committed to an Action Plan with a target for the Council's activities and operations to achieve a net zero position by 2030. Investment has already been made in 'on-site' electricity generation by installing photovoltaic panels on key buildings and in energy efficiency measures such as a comprehensive LED lighting replacement programme,

installation of voltage optimisers, flow restrictors and alike. Electricity supply has been from renewable sources since 2019.

- 2.3. The next phases of this programme will focus on the transition of the vehicle fleet to low or zero emission fuels and the decarbonisation of heating systems. Whilst these initiatives will be part of the medium- to longer-term solution to reducing the impact of the volatility in energy markets, they cannot deal with the immediate impact of the exceptional gas price increases recently experienced. These price increases are a worldwide phenomenon.
- 2.4. The Council's largest area of energy consumption is Riverside Ice and Leisure Centre. Predicting 2022/23 energy consumption, however, is difficult as unfortunately the actual usage data on that centre is patchy as a result of the disruption during re-development followed by Covid-19 closures which have impacted on normal operations. The increased costs faced by the Council are estimates based on incomplete information and variations can be expected.

3. CCS Procurement Process

- 3.1. As stated previously, CCS purchases tranches of energy on behalf of councils until an average price has been achieved for the full quota.
- 3.2. The City Council's energy agreement covers April to March, but different durations and start dates are offered by CCS. So the price increases experienced by different councils will depend on what agreement they are in with CCS.
- 3.3. The City Council has previously selected a zero-carbon electricity procurement in response to the Climate and Ecological Declaration; this has not caused a price increase.
- 3.4. According to CCS, during November/December wholesale market prices surged by over 100%. The key factors were the continued low levels of Russian gas heading to Europe, increasing pessimism over Nord Stream 2 with the worsening geopolitical context, and a backdrop of extremely low gas storage stocks. Power market fundamentals have also deteriorated with the recent temporary shutdown of ~10% of the French nuclear fleet after faults were detected, and carbon price rises have also been relentless.
- 3.5. As a result of the price increase in early December, the rising market conditions triggered CCS budgetary risk controls, prompting their traders to quickly increase cover levels to 80% and 90% of the Council's expected gas and electricity demand, from the ~35% already bought. This is in line and compliant with the authorised risk policy in the contract. In the 3 days it took to complete the purchasing required by the risk policy, market prices had increased by up to 30%. This action provides considerable certainty to the Council's 2022/23 energy costs.
- 3.6. The consequence of the increase in market prices is that the Council is likely to pay 209% more for its gas and 69% for electricity in 2022/23.
- 3.7. Officers believe that the best option financially is to remain with the existing arrangements for 2022/23 as any changes would expose the Council to the risk of yet higher prices given global political and economic risks. Additionally, the current contract provides the benefit of tranches of energy purchased below current market prices.
- 3.8. These price increases may indicate a step-change in the market price of energy, equivalent to the oil shocks experienced in previous decades.

3.9. On a long-term basis, our focus should be on the de-carbonisation objectives of the Council which will reduce or remove dependence on gas and hence lead to greater certainty on price.

4. Financial Implications

4.1. The process for developing the Budget Report included making provision for utility price increases based on the best advice. The timing of the advice identifying a further increase was beyond the control of CCS or the Council. The consequence of that late timing is that it is impossible to amend the proposed budget in the traditional way. That being identifying savings, efficiencies or income to meet the additional ongoing cost. It is therefore proposed to fund the £600k additional cost from unearmarked reserves.

4.2. The impact on the Budget Report is

- It was assumed some £1.6m of surplus reserves would be contributed to capital in 2021/22. This contribution will fall to £1m. The £600k will be carried forward to 2022/23 to fund the price increase. This will cause a small increase (less than £10k) to Minimum Revenue Provision (MRP) in 2023/24.
- The Unearmarked reserves forecast will remain at £9m, the target level, by the end of 2023/24.
- The forward forecast of revenue shortfalls will increase. The working assumption is an increase of £300k in the shortfall in 2023/24, on the basis that some 50% of the additional energy price increase remains ongoing. This is a working assumption; there is little evidence to make a robust estimate at this time.

4.3. The July Medium-Term Financial Strategy will need to consider the ongoing consequences and whether any change in procurement approach is needed for 2023/24.

5. Conclusion

5.1. The higher energy costs identified require budget provision to be added to the revenue estimates for 2022/23. Given the lack of time to identify any offsetting savings, it is appropriate to use reserves as a contingency to meet the additional costs in 2022/23.

5.2. It is recommended that a delegation is given to the Section 151 Officer to amend the Budget Report for submission to Council to allow for the consequences of the higher energy prices identified, after consultation with the Cabinet Member for a Fairer Chelmsford.

List of appendices:

None

Background papers:

Nil

Corporate Implications

Legal/Constitutional: The Council's decision as to how to fund the additional costs will be dealt with at Full Council as part of the budget.

Financial: As detailed in the report

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

Contribution toward achieving a net zero carbon position by 2030:

The Council has already contracted to purchase carbon free electric energy. The budget for 2022/23 contains proposals to invest in further de-carbonisation. The contents of this report reflect price changes.

Personnel:

None

Risk Management:

A review of the procurement and risks is identified

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

Consultees:

Relevant Policies and Strategies:



Budget report 2022/23

Index

		Page Numbers
Section 1	Introduction	7
Section 2	Government Funding	9
Section 3	Cost Pressures, Income Assumptions & Efficiencies	13
Section 4	Service Investment Revenue Investment Capital Funded Investment	18
Section 5	Impact of Capital Expenditure on the Revenue Budget	28
Section 6	Balanced Revenue Budget 2022/23 Forecast and Strategy -Budget & Reserves	30
Section 7	Risks & Robust Budget by Section 151 Officer	36
Section 8	Council Tax & Business Rates Legal Requirements & Tax base Parish Precepts & Special Expenses Chelmsford City Council Tax Business Rates	43
Section 9	Revenue Budgets	46
Section 10	Capital Programme Budgets	55

Section 1 Introduction to the Council's 2022/23 Budget

This report contains the revenue and capital budgets for 2022/23 (financial year starting 1st April 2022) and background context. The Covid-19 pandemic has meant budgets and financial forecasts have been subject to regular revision as measures to contain the virus change.

The level of reserves to manage the financial risk is therefore the key assurance that the budget plans are affordable. It should be noted that the report identifies reserve levels that depend on the forecast of 2021/22 income and expenditure which may also be materially different when a financial outturn is determined after the 31st March 2022. The report will identify risks and a targeted level of reserves.

The table below shows a summary of how the revenue budget is proposed to change between the current year 2021/22 and next year 2022/23:

£000s	Summary Budget Movements Between 2021/22 and 2022/23
1,155	Cost Pressures (see Section 3)
-1,638	Income -reduced Covid impact (see Section 3)
1,266	Government Funding (Section 2)
-300	Business Rate Retention (Section 2)
-723	Savings & Efficiencies (Section 3)
214	Net cost Service Enhancements (revenue and capital Section 4)
-764	Council Tax Income (Section 8)
790	Less use of Reserves (Section 6)
-	Budget Gap

The Government has announced a one-year settlement for 2022/23 and **Section 2** identifies the various funding streams. The funding position is provisional, and the Government will not confirm the final figures until after publication of the Cabinet Agenda.

The Council, in common with all other Local Authorities, has faced significant revenue budget pressures for a number of years. **Section 3** identifies the cost pressures the Council continues to face. By practising strong financial management, we have planned and dealt with those challenges. The actions, savings and efficiencies proposed to balance the budget are identified in **Section 3** in Table 3c.

Even with the financial constraints, there is a need to adapt and improve service provision to deliver Our Chelmsford, Our Plan. **Section 4** identifies the new investments in services that are funded by revenue and capital resources in the 2022/23 budget.

Sections 5 to 7 identify the medium- to long-term financial planning issues that the Council needs to consider.

The Local Government Act 2003 Section 25 includes a specific personal duty on the Chief Financial Officer (CFO) (also known as Section 151 officer) to make a report to the authority when it is considering its budget and Council Tax for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For

the purpose of the Act, 'reserves' include 'general balances'). The Act requires the Council to have regard to the report in making its decisions. The report is contained in **Section 7**.

The Government has based its grant-funding settlement on the assumption that all Councils will increase their Council Tax by the maximum allowed before a referendum is required, which is £5. The budget includes proposals to increase an average band D Council Tax by £4.91 per year, after allowing for rounding of Council Tax bills into ninths.

Section 8 identifies the detail of the Council Tax proposals and the associated legal matters, including meeting the legal requirement to declare a Business Rate Surplus or Deficit.

Sections 9 & 10 contain a breakdown of the revenue and capital budgets.

Section 2 Government Funding (estimated)

The Council has been provided with a provisional Government funding settlement for 2022/23. A consultation with local authorities on the funding allocation means the figures will be not finalised until February 2022.

The settlement includes the assumption that all Councils will increase their Council Tax by the maximum allowed (before a referendum is required), that is a £5 increase on a Band D property.

It is expected that funding methods and allocations will be changed by Government after 2022/23. The changes are expected to include:

- Reset Business Rate Baselines, which initially is likely to reduce income from the business rate retention scheme
- Changing how funding is allocated between local authorities, as a result of Government agendas on 'fair funding' and 'levelling up'
- Reform of the New Homes Bonus Scheme

Further discussion of these matters is covered in **Sections 6 and 7**.

If the final 2022/23 funding differs from that contained in this report, then the Section 151 Officer will provide revised information to Cabinet at the meeting. If changes to the settlement occur after the Cabinet meeting, then it is proposed that the Section 151 Officer, after consultation with the Cabinet Member for a Fairer Chelmsford, should be given delegated authority to amend the use of reserves in the report and identify the impact to Council.

The overall funding position available to support ongoing expenditure (ignoring Covid-19 funding) is a cash improvement of some £0.4m. However, the Government did commit to funding the cost of public sector NI increases, which is some £0.2m for the City Council. This leaves some £0.2m to fund the very significant financial pressures the Council faces. **Table 1** below shows a comparison of 2022/21 & 2021/22 Government funding to the provisional settlement for 2022/23. Below the table there is a short explanation of each grant

Table 1

Funding Streams (Unringfenced)	2020/21	2021/22	2022/23 provisional	change (22/23 v 21/22)
	£ms	£ms	£ms	£ms
A) Revenue Support Grant	0	0	0.00	0.0
B) Baseline business rate retention	3.4	3.4	3.4	0.0
C) Sec 31 Grants	0.3	0.2	0.3	0.1
D) Lower Tier Funding	0	0.6	0.7	0.1
E) New - 2022/23 Service grant	0	0	0.2	0.2
Total Core Funding (excludes New Homes Bonus)	3.70	4.20	4.60	0.4
Temporary Covid Funding				
F) Covid 19 Expenditure pressures grant	2.3	0.8	0	-0.8
G) Local Council Tax Support Grant	0	0.2	0	-0.2
H) Sales, Fees and Charges Grant (estimate)	7.8	0.7	0	-0.7
Covid Funding	10.1	1.7	0	-1.70

- A. Revenue Support Grant (RSG) £Nil – a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG given to each authority is determined by a needs assessment which includes estimates of local resources such as council tax, population, and other local data. The Council lost all its remaining RSG in 2018/19, however some authorities still receive RSG as a result of the needs assessment.
- B. Business Rates Baseline £3.4m – the City Council retains only a small share (around 4%) of the Business Rates collected locally; a Government formula is used to determine the amount the local authority can keep. The Business Rate Retention scheme detailed later is measured against this baseline.
- C. Section 31 Grants (£0.28m) – The complexity of the Business Rates Retention Scheme has led to grants being paid to local authorities for Government initiatives such as freezing business rates rather than increasing it in line with inflation. These grants vary in value each year.
- D. Lower Tier Services Grant £0.71m. The Government allocated a “one-off” Lower Tier Services Grant in 2021/22 but it has continued into 2022/23. The grant is an allocation of £111 million to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services). This is shared using a traditional needs-assessment methodology and a “floor” to ensure that no local authorities have a reduction in spending power as measured by Government. Spending power is discussed in **Section 7**. The future of the grant is no different to all the other funding streams and will no doubt be merged into whatever changes come into effect in 2023/24 from the Government’s levelling up and fairer funding agendas.
- E. 2022/23 Services Grant £0.23m. This has been provided to ensure that no local authorities have a reduction in spending power as measured by Government, just like the Lower Tier Grant. The funding (£822m) will be ongoing but will be allocated to authorities on a different basis in future. The government has stated that any transition to new funding arrangements will not take account of the Services grant allocation.

Covid Funding (2021/22 only) items F-H

Extra-ordinary support was provided for Covid financial pressures in 2020/21 & 2021/22. At the time of drafting no specific Covid-related funding has been provided for 2022/23.

Retained Business Rate Growth (Above Baseline Funding)

Under this scheme, the Government allows local authorities to share some of the growth in Business rate income in their area.

The Government scheme is materially unchanged from 2022/23, so in summary:

- i. A baseline funding position is calculated on our historic business rates collection, adjusted by a ‘tariff’ payment. A local authority must pay a tariff if its individual authority business rates share is greater than its assessed baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rate share. The City Council in 2022/23 must pay a tariff of £27.5m and is able to retain Baseline Funding of £3.4m of the Business Rates it collects.
- ii. Under the Business Rates Retention Scheme, local authorities can come together on a voluntary basis to pool their business rates receipts and then agree collectively how these will be distributed between pool members. Pooling provides the opportunity to keep a greater share of business rates growth which otherwise would be paid to Government as a ‘Levy’. However, the protection each authority receives is less in the event of losses, so in the event of the pool having an overall reduction in Business Rate Income against the Baseline set by Government, an authority could share a higher

burden than they would have done outside a pool. Chelmsford has been a member of an Essex pool for a number of years and re-joined for 2022/23. The income from the pool is difficult to project as it relies upon the approach taken by other authorities as well as Chelmsford.

The Business Rate Retention Scheme is complex with gains and losses occurring in one financial year but then not impacting on the Council's finances until later ones. The Business Rate Retention Reserve is used to manage these timing differences.

- iii. The forecast for the business rate retention scheme income is based on assumptions regarding the level of appeals made by taxpayers against their property valuations and reliefs.
- iv. Additional net Retention income of £2.9m is expected in 2022/23. However, the Council's budget reflects £500k of Business Rate Retention being used to support annual service expenditure. This is a £300k increase over 2020/21. Officers have taken a more cautious approach on budgeting Business Rate income historically which has usually resulted in income being much higher than initially budgeted for. This year an increase in the initial amount used to support services is therefore considered reasonable.
- v. The Council is required to finalise, and provide to Government, its Business Rate Retention income estimate in late January which will be after the Cabinet meeting. The submission is made by completing a NDR1 return. The Section 151 Officer will therefore provide the Council with any appropriate amendments which result from the final estimates. Any changes would only have an impact on the Business Rate Retention Reserve.

New Homes Bonus (NHB)

This is a grant paid by central government to local authorities. It aims to reward councils for each additional home added to the council tax base, including newly built properties and conversions as well as long-term empty properties brought back into use, after allowing for certain deductions such as demolitions. An additional sum is paid for each new affordable home built. The scheme, as previously reported, has over its life been made less generous. New payments are only receivable for one year rather than the previous four years. The expected funding for New Homes Bonus is shown in **Table 2** below:

Table 2

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
2017/18	1082	1082			
2018/19	1134	1134	1134		
2019/20	884	884	884	884	
2020/21		1326			
2021/22			1113		
2022/23				1271	
2023/24					Not Known
	3100	4426	3131	2155	0

The government has been committed to radically changing New Homes Bonus for the last 3-4 years, so most authorities do not use the income to support ongoing service expenditure. The City Council has taken that approach. It has been assumed in the financial planning that:

- the sums payable will be contributed to the Chelmsford Development Reserve or directly used to fund capital expenditure or other large one-off projects; and
- no further NHB will be received after 2023/24.

Homelessness Grant

The funding provided is £877k, which has been frozen at last year's level.

The grant is ringfenced for the following purposes:

- To fully implement the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness,
- Reduce family temporary accommodation numbers through maximising family homelessness prevention,
- Eliminate the use of unsuitable bed and breakfast accommodation for families for longer than the statutory six-week limit.

The Government has provided other ring-fenced housing grants during the last year. It has also announced a £13k grant to support people forced to move home due to domestic violence in 2022/23.

Section 3
Cost Pressures, Covid-19 Assumptions and Efficiencies

Cost Pressures

The cost pressures the Council is facing are detailed in table 3a below. Background narrations of the more significant items are set out after the table.

Table 3a Cost Pressures 2022/23

Variations from preceding year	Cost Pressures 2022/23
£000s	<u>(Increases/changes over previous year)</u>
830	Pay inflation - 2.5% 2022/23
515	Pay Inflation 2021/22 Increase
500	Utilities Inflation - 38% in 2022/23
241	Provision for Inflation Uncertainty
163	Inflation (on Fuel, Agency Staff, and repairs)
268	Housing and Temporary Accommodation
195	National Insurance
175	Pension deficiency
60	Other
89	Car Parks closures (Waterloo Lane part year only)
	<u>Compensating Factors</u>
-74	Capitalisation of Costs
-80	Lower than budgeted Gas usage
-89	Minimum Revenue Provision (capital financing)
-137	Hylands Car Parking charges (2nd year (full year))
-407	Car Parking Charges review
-411	Use of External Fund Managers & interest
-683	Fees & charges 3.2% inflation
1,155	Total

Cost Inflation and Pay

The Council experiences cost inflation on the supplies and services it purchases. The budget only allows for increases on Pay, Business Rates and Energy in normal years. This means, in real terms, service budgets decrease. The real terms reduction is difficult to quantify as each service purchases different supplies and services, so experiences different inflation. However, in 2021/22 and 2022/23 inflation and inflation expectations are historically high (5 to 6% as measured by CPI). It has therefore been necessary to add additional funding.

Pay: There is significant demand for labour in the UK at present and this with other factors has resulted in the need to increase staff pay at a faster rate than anticipated. A 2% pay award has recently been accepted by Council staff for 2021/22 at an additional cost of £515k. The 2022/23 budget assumption is a 2.5% increase. There is a risk that may be insufficient with inflation expected to be around 6% in April 2022.

The Council is required to consult with Unison before implementing changes to staffing pay and conditions. Additionally, national pay bargaining on behalf of local government workers may influence the outcome of local negotiations. It is therefore proposed that a delegation be made to the Chief Executive to agree, after consultation with the Leader of the Council, the pay award

for 2022/23 with any change from the above assumptions being funded in 2022/23 from General (unearmarked) reserves within the normal financial delegations.

Gas and Electric: The Council has in place a procurement contract which bulk buys on behalf of Councils nationally. The contract locks into gas and electric supply in stages, with a final price agreed in April. Indications from the supplier suggest a 38% increase in prices in 2022/23. As stated, this is indicative, and the cost could differ. The budget contains £500k of additional resource to fund the 38% increase.

Other Inflationary costs: The budget contains provision (£163k) for increased fuel, agency, and some repair costs. To de-risk to some extent the overall budget, a £241k inflation provision has been included. This would be used subject to the normal delegations, if required.

Housing Services and Housing Benefits

The Council's Strategic Housing team has a significant budget to enable it to deliver statutory duties to alleviate homelessness. As well as the direct costs of housing services, the Council incurs additional costs (subsidy loss) from placing households in temporary accommodation. This is due to the interaction with the Government's Housing Benefit rules which do not fully fund the cost to the Council of this temporary accommodation.

The number of households in Council Temporary Accommodation (TA) remains too high at around 300 in December 2021. It is expected that during 2022/23 it will average 348 in TA (369 by end of year). Also, there are increasing costs of TA (rents are rising), so it has been necessary to increase the budget by £268k. The Council has included capital programme budgets to help to address the costs of TA.

National Insurance

From April 2022 there is going to be an increase in employee and employer national insurance rates of 1.25%. The cost to the City Council is £195k per year. The Government appears to have provided funding within the settlement.

Pension Costs – 3-year Actuarial Valuation

The Council is obliged by statute to offer its employees membership of the Local Government Pension Scheme (administered by Essex County Council). The scheme changed from a "final salary" to a "career average" scheme in 2014/15. The scheme offers members a defined benefit funded by employee and employer contributions. Every three years an actuarial valuation of the fund takes place which determines the Council's contributions for the current employees and a deficiency payment to make good any estimated historic shortfalls in the fund's assets measured against its expected liabilities.

For the 3-year valuation period from 1st April 2020 to 31st March 2023, it was more cost-effective to fund the 3-year pension deficiency cost with an up-front payment as a discount was offered compared to paying by annual instalments. The Council therefore makes contributions into a reserve to ensure it has funds to meet the next valuation cycle's upfront payment. It is planned to increase the 2022/23 budget by £175k and each year until the annual payment into the deficiency reserve reaches the required level.

Compensating Factors which have reduced Budget Pressures

Minimum Revenue Provision (MRP)

The MRP is a revenue contribution made to capital each year to pay down any borrowings.

More details can be found in **Section 5**. A reduction in the expected MRP cost of £89k as capital expenditure was deferred due to Covid, so borrowing was lower than planned. The costs of MRP are forecast to rise over the coming years and this is included in the revenue budget forecast shown in **Section 6**.

Use of External Fund Managers to increase cash Investment returns.

As has been reported previously to Council, the amount of its cash managed by external managers has been increased. There is a slight increase in risk to sums invested and higher-volatility to capital values. The increase in returns is expected to be £300k per annum.

Fees and Charges Inflation

The budget guidelines recommended a 2% increase in fees and charges in 2022/23. During the course of the budget process, it became apparent that a higher rate of inflation will be prevailing during 2021, 2022 and possibly 2023. The average rate of increase in fees and charges has therefore been set at 3.2% (September CPI rate). The setting of fees and charges is however more nuanced. Increases must reflect wider Council policy objectives and competitors. The area where there is a materially different approach is Car Parking Charges. A report is elsewhere on the agenda.

Covid-19 Forecast Financial Impact (Income Changes)

Table 3b

2022/23 £000s	COVID 19 Impact and Recovery (-Improved/+lower)
-1,015	Improved -Car Parking (only partial recovery to around 80% of 2020/21 budget)
380	Reduction in net Theatre income- this includes closure for refurbishment and full recovery in 2023/24
-128	Higher Rental Income including High Chelmer
-498	Additional Leisure Income (full recovery to pre covid levels)
-310	Additional Income from Council Tax Sharing Agreement with Essex County Council
-67	Other (net)
-1,638	Total Covid Impacts

Prior to the onset of the Omicron variant of Covid, income at the Council in most areas was recovering strongly. The outlook is now less certain, but the evidence now supports that income can recover quickly after the lifting of covid restrictions.

The changes in income identified above are compared to the 2021/22 budget which was lower in many cases than pre-covid income. So, the above variances unless stated do not imply income has fully recovered to pre-covid levels. Income in 2022/23 is expected to remain below pre-Covid-19 levels in the following key areas:

- Retail Markets
- Rents (retail)
- Office rents are lower due to a re-let.
- Civic building room hire
- Car Parking. Long stay car parking is not expected to recover as more people are working from home
- Theatre Income is expected to take several years to achieve pre-Covid-19 levels. The modernisation investment within the capital programme will make a full recovery more likely.

Clearly there is significant risk that income will remain low or volatile during 2022/23. A judgement will need to be made during the year whether some services will have permanently lower income. This will require reductions in Council expenditure to offset losses but if income

losses are just a temporary phenomenon, reserves can be used to fund the shortfalls. The current budget does use reserves (£0.8m) to offset Office rental and Theatre income shortfalls in 2022/23 (detailed in **Section 6**).

Section 6 Revenue Forecast and Reserves, identifies the assumed changes in income in later years. The Section 151 Officer in **Section 7** comments on the risks around fluctuations in income, including how that will be managed, but effectively that will be by having robust reserves.

Efficiencies

The increased costs identified and enhancement to services give rise to a budget gap. To fund some of this shortfall, Directors and Cabinet members have identified cost reductions and income generation plans whose financial impact is shown on the next page in Table 3c.

Table 3c Efficiencies

Type (Income generation/ Cost Saving)	Description	Saving 2022/23 £000s	Saving 2023/24 £000s
Income	Hylands music festival – additional income compared to current contract as a result of negotiations to switch dates and re-focus festival	-160	-160
Spend to Save	Recent purchase of on street Temporary Accommodation properties. Release saving	-85	-85
Expenditure	Sports and leisure centres – a variety of actions to improve efficiency and effectiveness following base budget review	-70	-70
Income	Planning Income	-50	-50
Staffing	Local Plan – vacant post	-40	-40
Expenditure	A range of minor budgets	-38	-38
Income	Theatre – bar income	-36	-36
Expenditure	Grounds Maintenance-operational savings associated with changes to the policy for creating and managing species-rich grassland.	-26	-26
Income	Building control. A range of initiatives (Building control is a financially ring-fenced account and this saving relates to items outside ring-fence)	-20	-20
Expenditure	Training budget	-10	-10
Expenditure	Cash Collections – review of locations where cash accepted and collection rounds	-10	-10
Income	Hylands outdoor venue – income return from new outdoor space from weddings and other activities and pricing adjustments following EMC review	-25	-25
		-570	-570

Section 4

2022/23 Service Investment

The Council's budget is a financial plan to contribute to delivering Our Chelmsford, Our Plan. This section of the report identifies increases in 2022/23 budget to deliver new corporate initiatives. These investments in services are categorised according to how they are funded.

Revenue Funded Service Investments

There are two types:

- Those that create ongoing costs and must be funded from ongoing financial resources to be sustainable. Examples of sustainable funding streams are statutory sources of income such as Council tax or grants and Council-generated income such as fees and charges or from budget reductions/service efficiencies.
- One-off or temporary enhancements funded by the use of unearmarked reserves or temporary income streams such as one-off grants.

The one-off service investments are being funded by one-off income. The ongoing items are being built into the ongoing base budget and will be funded from ongoing income sources.

Table 4 on the next page identifies the new revenue service investments.

Capital Investments in Services

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. To be an enhancement, the expenditure on the asset must lengthen substantially the useful life of the asset, increase substantially its open market value, or increase substantially the extent to which the Council can use the asset.

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

Council approval is sought annually each February for the Capital Strategy, which provides details of overall funding and capital expenditure plans. A summary of how revenue and capital expenditure are linked is included in **Section 5** of this report.

TABLE 4 - REVENUE FUNDED - New Service Investment for 2022/23

Scheme	Cost 22/23 £000s	Cost 23/24 £000s	Ongoing Cost £000s	Details
Modernisation and Replacement of Digital Software and Equipment	100	100	100	The capital programme for 2022/23 includes the creation of £500k budget to support improvements and modernisation of the Council's Digital infrastructure. There is a need to increase the revenue budgets to support this investment and a £100k is sought to cover ongoing revenue running costs.
Legal Salary and Agency Costs	25	25	25	An increasing problem is recruitment and retention of staff.
Digital (Media) Marketing Post	31	31	31	Additional work loads including: Creating and editing images and videos to be used across social media channels, websites, and emails across Hylands Estate, Museums, and Events. Attending events outside of normal work hours to obtain GDPR compliant photos and videos to be used for future promotions
Cyber Security	75	75	75	There is nationally an increasing risk of Cyber attacks. The Council cannot prevent an attack but this funding will identify areas of higher risk and in event of an attack will help manage the consequences.
Strategic Planning Staffing	203	203	0	4 new staff on a 2 year fixed term contract are required to support the 'Chelmsford Garden Community' programme, at a cost of £203k in each year. This will be partly funded by one off income received in 2021/22 and 2022-23. The balance will be funded from income received in 2021/22 and held in reserves until used in 2023/24
Planning Income	-220	0	0	
Total	214	434	231	

Approval of New Capital Schemes

Table 5 shows the new capital schemes. Within the scheme narrations in Table 5, the approval process for capital expenditure is dealt with in three ways: firstly, a number of schemes are fully approved for officers to undertake; a second category requires Directors and Cabinet members to agree a more detailed business case before undertaking the scheme; a third category allows for the budget to be initially approved by Council with delegation to future Cabinet meetings to agree individual business cases. The ongoing revenue impact based on planned funding including use of CIL and New Homes Bonus results in a revenue benefit of some £50k per year from completion of the schemes.

The budgets set out in the new schemes Table 5 and the approved programme in **Section 10**, are based on the best advice available. However, there is unprecedented inflationary pressure in the economy which make the outcomes of tenders for goods and services erratic. Changes in project cost will be dealt with under the normal financial delegation.

Table 5

CAPITAL PROGRAMME - New Schemes Identified for Approval

							Later	Total
	Details	2021/22	2022/23	2023/24	2024/25	2025/26	Years	Spend
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
	New Schemes (see table 5 for details)							
1	Museum Roof Access		11					11
2	Land Disposal Costs	168	444					612
3	Market Road Public Convenience Roof		101					101
4	Chelmer Park Pavilion Roof		148					148
5	Crematorium Toilet Refurbishment		86					86
6	CSAC Floodlights Upgrade to LED		61					61
7	Hylands House Basement Toilet Refurbishment		150					150
8	Retail Market Drainage Improvements		31					31
9	Beaulieu Park Pavilion Health and Safety Works		33					33
10	SI06 Central Park Lake Edge		62					62
11	Beaulieu Pk Conversion Tarmac Court to 3G Pitch and Floodlight Upgrade		90					90
12	Oaklands Park Upgrade Tennis Courts to MUGA		91					91
13	Townfield Street Car Park Strengthening Barriers		15					15
	<u>Schemes where Delegation Required for Cabinet/Officers to Spend Once Business Cases Received</u>							
14	Investment in Digital Technology		300	200				500
15	Initiatives to Increase Provision of Affordable Housing		993	650				1,643
16	Dovedales Sports Centre Refurbishment		36	1,428				1,464
17	Green Initiatives		125	375				500
	Sub Total	168	2,777	2,653	0	0	0	5,598

							Later	Total
	Details	2021/22	2022/23	2023/24	2024/25	2025/26	Years	Spend
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
	<u>Potential Funding</u>							
10	Central Park lake Edge S106		-62					-62
11	Beaulieu Pk Conversion Tarmac Court to 3G Pitch S106		-63					-63
12	Oaklands Park Upgrade tennis Courts to MUGA S106		-44					-44
15	Initiatives to Improve the Provision of Affordable Housing S106		-993	-650				-1,643
16	Dovedales Sports Centre Refurbishment CIL		-36	-1,158				-1,194
16	Dovedales Sports Centre Refurbishment Contribution from CCFE			-270				-270
	Total of New Scheme Proposals After Funding Applied	168	1,579	575	0	0	0	2,322

Table 5 New Schemes Narratives

1. Museum Roof Access £11k

This proposal is for the provision of steps and handrails to provide safe access across pitched roofs for maintenance purposes. At the moment, some areas of the roof cannot be accessed safely for maintenance purposes. Access to these areas is required on a regular basis and this requires the hire of a scaffold or mobile access platform. With this proposal there will be no ongoing hire costs.

Delegated authority to the Director of Connected Chelmsford to spend within the approved budgets is requested.

2. Land Disposal Costs £612k

This proposal seeks the provision of a budget which will be used for the preparation of planning applications, including supporting survey and design work for Council-owned sites. This proposal is being made to secure future development opportunities of Council-owned sites that will be developed to provide affordable housing. Without this investment, the land will be retained by the Council and no additional housing will be created which will further impact the Council's revenue budget. There is the potential to recover some of this spend against receipts from the disposals. The proposed sites for disposal are Riverside (site of former pool), Glebe Road Car Park, Rectory Lane East Car Park, Coval Lane Car Park, Land St. Michaels Drive Roxwell, Medway Close garage site and land at Pease Place.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

3. Market Road Public Convenience Roof £101k

This proposal is for the replacement of the existing roof coverings with new built-up felt membrane, together with the replacement / improvement of roof insulation, roof outlets and associated works. The leaking roof has impacted upon the use of toilets as some areas have had to be cordoned off. Replacement of the covering will allow the toilets to maintain full capacity and upgrading of the insulation will improve the energy efficiency of the building.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

4. Chelmer Park Pavilion Roof £148k

The Chelmer Park Pavilion provides useful changing facilities and accommodation for local sports clubs and the community to allow the sports facilities at the park to be fully enjoyed by Chelmsford residents and visitors to Chelmsford. This proposal is for a roof repair and new roof lights. Without these repairs, the availability of the facilities for use by the public would be impaired as areas would have to be put out of use which could reduce hires and income. Ongoing reactive maintenance costs would inevitably be increased. In the longer term, water penetrating the structure could also give rise to an accelerated deterioration of the roof structure and the risk of more expensive repairs.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

5. Crematorium Toilet Refurbishment £86k

This proposal is for the refurbishment of toilet facilities to provide new water heaters, hand dryers, sanitary fittings, wall finishes, nonslip safety flooring and redecoration. The facilities are used by the public, many of whom will have been recently bereaved. New fittings will be designed to help to minimise water usage. Chelmsford Crematorium is scheduled to remain open for the foreseeable future; any new facility will not come on stream until 2025 at the earliest and public toilet facilities at this site will still be needed for those visiting the graves of loved ones and to facilitate burial services for those people who propose to be buried within an existing shared grave.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

6. CSAC Floodlights Upgrade to LED £61k

The sum of £29k was forecast in the capital programme for a straight replacement of the floodlights. There is the opportunity to upgrade these lights to energy-efficient and longer-lasting LED floodlights. An additional £32k is required to convert the current stadium light system to LED, generating an annual net saving of around £5,000 with a payback within 7 years. This proposal will help the Council to achieve its net carbon zero footprint and also reduce the cost of maintenance.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

7. Hylands House Basement Toilet Refurbishment £150k

This proposal is for the refurbishment of the Hylands House basement toilets, accessible toilet, mother-and-baby changing room, ground floor accessible toilet and butler sink relocation. The current toilet facilities have not been refurbished since 2001. They are dated and are no longer in keeping with the rest of the venue. The refurbishment of these toilets was recommended in the extensive external consultancy report. There will be an associated water saving from the updated fittings.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

8. Retail Market Drainage Improvements £31k

This proposal is to carry out works which will stop the flooding to the kiosks located within the South Hall. Under extremely heavy rainfall, which is now being experienced on a regular basis, the storm water drains back up and discharge rainwater through the back inlet gullies into the kiosks. It is essential that the drainage works are put in place to ensure the kiosks remain fit for purpose.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

9. Beaulieu Park Pavilion Health and Safety Works £33k

A fire risk assessment has been carried out and identified risks that require actions. This proposal is for the provision of the following:

- New fire alarm panel and fire detection systems to meet fire safety requirements. Doing nothing would leave the building in a non-compliant condition.

- Improvement of access arrangements to the boiler located in roof space. Access to the boiler room is required regularly for maintenance. The access arrangements require improvement whilst maintaining fire compartmentation between the boiler room and escape routes.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

10. Section 106 Central Park Lake Edge £62k

This proposal is for the re-instatement of Central Park lake edge with gabion-style retaining walling. The current wooden edges have collapsed. This is a public safety hazard which requires remedial action. This proposal is fully funded from Section 106 planning contributions.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

11. Beaulieu Park Conversion Tarmac Court to 3G Pitch and Floodlight Upgrade £90k

The current floodlit tarmac 5-a-side and multisport court at Beaulieu Park is underused. The facility was first opened in 2002 and the surface and chain-link ball-stop fence are now reaching it's the end of their lifespan. The flood lighting lamps are also in need of replacement.

The sports development plan and associated collection of S106 contributions have identified the site where a 3G sports surface is required. It is proposed to replace the surface and overlay with 3G artificial grass carpet, replace ball-stop fence with v-mesh fencing and replace/refurbish the floodlighting, including replacement energy-saving LED. The facility is currently not used for pitch hire and generates no income due to lack of public interest.

The proposal is estimated to generate an income of £5.5k per annum. 70% of the cost will be funded by Section 106 planning contributions.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

12. Oaklands Park Upgrade Tennis Courts to MUGA £91k

This proposal is for the walled garden courts to be resurfaced and laid out as multisport tarmac courts which will include tennis. . The current surface and fencing are at the end of their lifespan and, in the absence of investment, the facility would need to be closed permanently. 48% of the cost of this scheme is funded by Section 106 planning contributions.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested.

13. Townfield Street Car Park – Strengthening of Barriers £15k

This proposal is to provide strengthening to the existing vehicle barriers to minimise the possibility of vehicles breaching the existing barriers. A recent structural survey has identified this need.

Delegated authority to the Director of Sustainable Communities to spend within the approved budget is requested.

14. Investment in Digital Technology £500k

The Council's previous investment in digital technology has paid dividends throughout the pandemic, enabling staff to work remotely, with most services continuing to be delivered to our customers relatively seamlessly. We need to continue to provide services as efficiently as possible, and this proposal will enable us to do that, supporting ongoing income streams, enabling service improvements and avoiding future costs. It will allow: -

- Improved productivity.
- Improves services to customers, which is expected to at least maintain income.
- Improves customer experience.

A multi-year budget is required to fund these improvements. Projects will originate from across the whole of the Council, with bids accompanied by business cases being subject to a selection process overseen by an internal panel, the DPO board. Revenue provision of £100k has been set aside to fund ongoing software costs (included elsewhere in this report).

Delegated authority to the Director of Connected Chelmsford to spend within the approved budget is requested.

15. Initiatives to Increase the Provision of Affordable Housing £1.643m

Over the next 2 years the Council will receive contributions from developers which are earmarked for the provision of affordable Housing. The contributions are paid to the Council in lieu of the developer meeting the Local Plan obligations for 35% affordable housing on development sites. The funds will be used to subsidise additional affordable housing provided by registered providers.

Delegated authority to the Director of Sustainable Communities to spend within the approved budgets is requested. After consultation with the Cabinet Member for Fairer Chelmsford, he will decide on the preferred schemes.

16. Dovedales Sports Centre Refurbishment £1.464m

This proposal is for the full Refurbishment of the joint-use Sports Centre in partnership with Chelmsford College. An options appraisal was carried out and a full refurbishment was preferred from a financial and community-use perspective. The refurbishment will include:

- New entrance and reception (access from Moulsham Street side)
- Increasing the size of the fitness room and ensuring full accessibility
- Additional studio and flexible space (reducing from 3 squash courts to 2)
- Improvements to showers and changing rooms
- Redecoration and modernisation of finishes throughout
- Assessment of building and plant and, where required, replacement to increase energy efficiency

A new agreement with Chelmsford College to 2050 will be signed.

If full refurbishment or improvements are not undertaken, there will still be ongoing and increasing maintenance costs in order to keep the current building safe and operational.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested. After consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred scheme.

17. Green Initiatives £500k

This proposal is for a fund to be established which can be drawn down when initiatives are brought forward to enable the Council to move towards its objective for its activities and operations to be net-zero carbon by 2030.

Investment has already been made in 'on-site' electricity generation by installing photovoltaic panels on key buildings and in energy efficiency measures such as a comprehensive LED lighting replacement programme, installation of voltage optimisers, flow restrictors and other devices to improve energy efficiency and reduce consumption.

The funding will be used for the next phases of this programme which will focus on the transition of the vehicle fleet to low or zero emission fuels and the decarbonisation of heating systems. This will include the need to invest in the charging infrastructure for electric vehicles, the use of battery storage to complement solar energy generation and the earlier-than-planned replacement of gas boilers with alternative technologies.

Delegated authority to the Director of Public Places to spend within the approved budgets is requested. After consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred schemes.

Section 5

The impact of Capital Expenditure on the Revenue Budget

The Council is required by statute to produce a Capital Strategy each year. It gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how the associated risks are managed and the implications for the future financial sustainability of the Council. The next few paragraphs are a short summary of how the capital expenditure links to the revenue budget.

The Council capital programme is shown in **Section 4** (table 5, new schemes) and **Section 10** (Replacement Programme and previously approved schemes). The capital programme is different from revenue budgets in that borrowing and asset sales may be used to fund expenditure.

The Council's financing of its capital programme is always estimated as part of the budget process and concluded at financial year-end. The actual methods of financing can differ from the estimates, depending whether the relative costs of each method change. The Section 151 Officer will determine the optimal mix of resources at the end of the financial year.

The Medium-Term Financial Strategy identified the following policy:

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

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

- Additional running costs, income or savings resulting from the acquisition of equipment or on completion of a capital project.
- Funding of capital schemes
 - A. Direct Revenue Financing of capital schemes. An expenditure line in the Council's Revenue budget which in effect funds capital expenditure
 - B. Borrowing costs. Interest and principal repayments (Minimum Revenue Provision (MRP)) are a revenue cost
 - C. Aborted Schemes. Feasibility or design works on schemes that are aborted are revenue cost. So, any such costs funded from capital, capital grants or borrowing will need to be charged to revenue resources. This is a requirement under government accounting practice.

A. Direct Revenue Financing of capital schemes

The revenue budget for 2022/23 contains a contribution to (Direct Revenue Financing) Capital expenditure of £2.155m.

- New Homes Bonus (NHB) has previously contributed to funding of capital expenditure and will continue to do so. The NHB of £2.155m (current year allocation plus previous legacy payments) will be fully utilised to fund capital expenditure. The funding will pass directly to the capital programme but be transferred to the Chelmsford Development reserve if unspent in 2022/23 until applied in a later year to the capital programme.
- The Council Medium Term Financial Strategy Report (July 2021 Council) identified that the Council had surplus Unearmarked Revenue Reserves and this is discussed in **Section 6** of this report. Any surplus reserves can be used to make additional revenue contributions to capital which will reduce the MRP (capital financing cost) charged to

revenue each year. Given the uncertainties about the levels of Council income due to the Omicron variant, rather than commit to a certain value of contribution, this report recommends a delegation to the Section 151 Officer after consultation with the Cabinet Member for Fairer Chelmsford that if a surplus level of reserves is determined at 31st March 2022 then, if appropriate, an additional revenue contribution to capital can be made in the financial year 2021/22.

B. Borrowing Costs

The Council's capital programme does require the use of borrowing which forecasts predict will be internal borrowing (using council cash balances instead of taking on external loans). The cost of internal borrowing is the interest forgone from not investing Council funds and a charge to revenue for a Minimum Revenue Provision. These matters are discussed in the Capital Strategy 2022/23 elsewhere on the agenda.

Minimum Revenue Provision (MRP), money set aside to repay the principal of debt, is £921k in 2022/23. Further details can be found in the Capital Strategy 2022/23. The MRP charge is made to revenue budgets for any assets funded from borrowing the year after the asset is complete. The use of borrowing means the Council will finance its programme on a sustainable basis but through annual contributions to repay debt. The revenue forecast in **Section 6** includes the MRP cost of the proposed Capital Programme.

Debt costs for the authority can increase if planned capital receipts are delayed, as borrowing will be used to fund the capital expenditure instead.

C. Aborted Schemes Feasibility or Design Works

The Council can charge feasibility and design works to capital resources only when a scheme creates an asset. Should a scheme not continue to completion, any costs charged to capital would be required under Government accounting practice to be charged to revenue. The risk of costs falling on revenue increases when the Council undertakes schemes with partners or where the scheme is only viable due to external funding. In these circumstances, the Council may find it cannot continue with a scheme for reasons beyond its control. The capital programme includes a number of large schemes with significant third-party involvement; the works at Chelmer Waterside, supported by Homes England's Housing Infrastructure Fund (HIF), and flood defences are the best examples. Given the significant size of this type of scheme and their structure, provision has been made for the risks of costs falling back onto revenue by maintaining an earmarked reserve to alleviate the consequences, which is detailed in **Section 6**.

Section 6
Balanced Revenue Budget 2022/23, Forecast & Reserves

Balanced Revenue Budget 2022/23

The Budget for 2022/23 is based on income and expenditure projections before the Omicron Variant was detected in the UK. The Budget assumes improvements to income experienced post lockdown and pre-Omicron. Income was expected to recover further in 2022/23.

The option available to officers was to change the assumptions in the budget to try to reflect a new scenario including Omicron. However, what this would look like at the time of publication was simply unknowable. The risk that these pre-Omicron assumptions become too optimistic is to be mitigated by holding sufficient Unearmarked reserves, which is discussed later in **Section 6**.

Table 6a below summarises the movements and variation in resources applied to balance the 2022/23 budget.

Table 6a Balanced Revenue Budget 2022/23

2022/23	
£000s	Variations to a Balanced Revenue Budget 2022/23
1,155	Base Budget Position (see section 3)
-1,638	Covid Impact and Recovery (see Section 3)
434	Growth in Revenue Budget (see Section 3)
-220	Planning Income (see Section 3)
-153	Savings previously reported
-570	Savings & Efficiencies (Section 3)
-105	Council Tax Surplus (Section 8)
-300	Business Rate Retention (Section 2 & 8)
-319	Council Tax base growth (Section 8)
-340	Council Tax £4.91annual increase
1,266	Government Funding (Section 2)
-790	Budget Variation (before use of unearmarked reserves)
790	Less use of Reserves (Section 6)
-	Budget Gap remaining

The draft budget assumes a Council tax increase of £4.91 (£340k of extra income). After allowing for the increase in the number of properties in Chelmsford (tax-base increase), this results in total additional Council Tax income of £659k and after allowing for the change in Council tax surplus that increases to a favourable variance of £764k. Further details on Council Tax can be found in **Section 8**.

Reserves: The £790k in the table is a reduction in the use of reserves compared to 2021/22 when Covid pressures meant it was financially essential. The planned net use of reserves in 2022/23 is £339k and is discussed later in Section 6 after reviewing the multi-year financial forecast to provide context on the prudence and affordability of reserve use.

Revenue Budget Forecast

The Section 151 Officer produces regular forecasts of the Council's finances and an annual Medium-Term Financial Strategy which uses these forecasts to set out a financial strategy to manage the challenges faced.

The Budget should be considered along with the forecast (including Reserves and Council tax) when decisions are made regarding whether the budget is affordable and sustainable.

A forecast of capital expenditure and income is contained in the Capital Strategy, in line with statutory requirements.

At the time of writing, Covid cases are running at over 100,000 a day, RPI inflation is 6%, energy prices continue to rise. These problems could be short-lived or become part of the ongoing financial outlook. The Forecast will therefore be seen as either optimistic or too cautious depending on the reader's view of events. By the summer and the publication of the Council's MTFs, more clarity may be available. It will become necessary, when planning financially, to no longer consider what income and expenditure used to be prior to the pandemic but base all assumptions on a new environment.

Revenue Forecast

In summary the projected budget shortfalls are shown in **Table 6** below:

Year-on-Year Budget Forecast	2023/24	2024/25	2025/26	2026/27	
Budget Changes	£000s	£000s	£000s	£000s	Notes
Base Budget Position	905	741	672	581	A
Car Park Closures for redevelopment	205	-	-205	-	B
Covid & Theatre Closure Income changes	-912	-	-	-	B
Initial Budget Gap	198	741	467	581	
Service Investments	300	300	300	300	C
Council Tax Income	-511	-515	-519	-523	D
Government Funding (net)	734	-	-	-	E
Variance in Use of Unearmarked Reserves	640	-	-	-	F
Budget Gap	1,361	526	248	358	
Cumulative		1,887	2,136	2,494	

The notes to Table 6 are:

- A. Base Assumptions: These costs are essentially the normal year-on-year increases for pay inflation 2% £690k, pension fund deficiency £175k, MRP £210k (2023/24), less assumed increases from inflationary price rises on fees and charges levied by the Council of £300k excluding an increase in car park charges in 2023/24 (£500k from 2024/25). There is also an allowance of £80k per year for the need to fund service growth to meet the growing number of properties in Chelmsford. Utility cost price increases are assumed to be 2% annually from 2023/24; there is considerable uncertainty on this.
- B. Income Recovery Assumptions: The 2022/23 Budget is constructed on a return to pre-Covid-19 activity in most service areas. There are a number of key areas where income has not fully recovered in 2022/23 (see **Section 4**) and below how those areas are expected to perform in future is explained:

- Car Parking Income. This is expected to return to an average 82% of pre-Covid-19 levels in 2022/23 and no further improvement. This could be too cautious an assumption. However, changes to car parking provision due to City redevelopment are expected in future and these will need to be more fully factored into the MTFS in July. Currently, the forecast only assumes loss of income (£205k per year) from the temporary closure of Waterloo Lane 1 & 3 for a period of 2 years for redevelopment.
 - Rental Income from shopping centres is not expected to fully recover. This is a result of structural changes to the retail sector.
 - Theatre income is below pre-pandemic levels until 2023/24, when the impact of the modernisation scheme and Covid-19 recovery should resolve this.
 - Retail Market and Civic Centre meeting room hire are not expected to return to pre-covid levels.
- C. Service Investments: The impact of the 2022/23 revenue and capital service investments (**Section 4**) will not be fully realised until 2023/24. Additionally, a presumed £300k of service enhancements are allowed for in each year.
- D. Council Tax Income: The forecast assumes 800 properties a year are built in Chelmsford and a £5 increase in annual Band D, which is the current maximum allowed for by Government (without triggering a referendum).
- E. Government funding: The settlement is for one year, 2022/23, and nearly all the key elements are proposed to be reviewed by the Government in 2023/24. The reviews have in most cases all been deferred from previous years. The forecast assumes that Business rate Retention Income is reset in 2023/24, so £500k currently supporting the budget ceases. Additionally, the new Service grant £234k is assumed to cease in 2023/24 as the Government has stated that it is a one-off allocation that will not be considered in transition to new funding arrangements. These assumed losses could be too cautious as Government has found it difficult over the last few years to reduce a local authorities' funding year on year.
- F. Reserve: The use of reserves in the forecast is expected to decline to nil.

Reserves in 2022/23

The Reserves are intended to be used in the following circumstances:

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

The Council should target a level of approximately £9m of unearmarked reserves, whilst recognising that the level of balances will fluctuate over time as it adjusts to short-term pressures in the revenue budget. **Section 7** identifies the issues that the Section 151 Officer considers when setting the target.

The Reserve levels have been updated and are discussed below.

In summary, the material transfers to and from reserves in 2022/23 are:

Table 7

Transfer +to/-from reserve £m	Reserve Name
<u>Contribution from Revenue:</u>	
£0.867m	To the Pension deficiency cost
£2.155m	New Homes Bonus to Chelmsford Development Reserve and then contribute to Capital (see below use of reserves)
<u>Transfer from General Fund and Contingency</u>	
£0.3m	To earmark funding for a usual level of supplementary estimates in 2022/23. This intended to provide greater clarity over the level of any surplus unearmarked reserves
£0.315m	To Local Development Framework. To fund local plan expenditure.
<u>Use of Reserves to Support expenditure</u>	
£0.207m	Local Development framework
£2.155m	Chelmsford Development Reserve to support the capital programme. The actual amount used will be determined at the end of the financial year depending on the level and nature of capital expenditure incurred.
£0.1m	Anticipated use of Insurance reserve to cover uninsured losses. Annual provision is now being made to cover insurance claims. The use of reserve is expected to decline to zero over the two years following 2022/23. This will make the Council's finances more sustainable.
£0.849m	Use of General Balance to meet Covid-19 losses, theatre closure and expected temporary shortfalls in rent income in 2022/23

A forecast of the reserves for 2022/23 and future years is shown in **Table 8**, at the end of this section. It also identifies the purpose of each reserve and any delegation for their use.

Table 8 - Usable Reserves Projections

	2021/22 Forecast				2022/23 (Forecast)				2023/24 (Forecast)			2024/25 (Forecast)			2025/26 (Forecast)			
	Provisional Opening Balance	Budgeted (use of) / contribution to reserves	Transfers	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Transfers	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	Opening Balance	Budgeted (use of) / contribution to reserves	Closing Balance	
Earmarked	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
1 Cultural Support 'Fund'	159			159	159		159	159		159	159		159	159		159	159	
2 Chelmsford development	0			0	0		0	0		0	0		0	0		0	0	
3 Infrastructure Provision	0		2,000	2,000	2,000		2,000	2,000		2,000	2,000		2,000	2,000		2,000	2,000	
4 Growth fund	69			69	69		69	69		69	69		69	69		69	69	
5 Insurance	1,049	-150		899	899	-100	799	799	-50	749	749		749	749		749	749	
6 Local Development Framework	570	-210	300	660	660	-207	315	768	-268	500	500	-250	250	250	-250	0	0	
7 Pension deficiency	1,116	717		1,833	1,833	867	2,700	2,700	-1,800	900	900	1,217	2,117	2,117	1,392	3,509		
8 Park and Ride	184	-100		84	84		84	84		84	84		84	84		84	84	
9 Hylands House Reserve	3			3	3		3	3		3	3		3	3		3	3	
10 Housing Initiatives	150			150	150		150	150		150	150		150	150		150	150	
11 DPO Reserve	310	-310		0	0		0	0		0	0		0	0		0	0	
12 Project Evaluation Resrve	390	-62		328	328		328	328		328	328		328	328		328	328	
Carry forwards & Supplementary estimate																		
13 Reserve	272	-87		185	185	-50	300	435		435	435		435	435		435	435	
Total Earmarked Reserves	4,272	-202	2,300	6,370	6,370	510	615	7,495	-2,118	5,377	5,377	967	6,344	6,344	1,142	7,486		
Unearmarked																		
14 General Fund & Contingency	16,017	-3,056	-2,300	10,661	10,661	-849	-615	9,197		9,197	-203	8,994	8,994	8,994		8,994	8,994	
	16,017	-3,056	-2,300	10,661	10,661	-849	-615	9,197		9,197	-203	8,994	8,994	0	8,994	8,994	0	8,994
Total other reserves	20,289	-3,258	0	17,031	17,031	-339	0	16,692	-2,321	14,371	14,371	967	15,338	15,338	1,142	16,480		
Not Available to Support Spend, until financial year end when the actual position is determined.																		
15 Business Retention reserve	17,856	-11,177		6,679	6,679	-3,090	3,589	3,589	-3,589	0	0	0	0	0	0	0	0	

Reserves - Purpose and Delegation		Purpose	Delegation
1	Cultural Support 'Fund'	To contribute to Cultural Services costs	Relevant Director & Cabinet member
2	Chelmsford development	To support the ongoing development of the Chelmsford City area. New Homes Bonus plus other expected one off income will be added to the reserve	Section 151 & cabinet member for a Fairer Chelmsford
3	Infrastructure Provision	To manage the risk of Capital costs becoming chargeable to revenue	Section 151 & cabinet member for a Fairer Chelmsford
4	Growth fund	Funding Held for Strategic Planning issues	Relevant Director & Cabinet member
5	Insurance	To meet losses and policy excesses where more appropriate to insure internally than externally.	Relevant Director & Cabinet member
6	Local Development Framework	To meet expenditure on the LDF	Relevant Director & Cabinet member
7	Pension deficiency	To support the financing of the annual deficiency payments on the pension fund. To fund one off staff costs e.g. flexible retirements, redundancy.	Chief Executive, Director of Corporate Services for one off staff costs.
8	Park and Ride	Contingency to smooth management contract costs of Park and Ride	Relevant Director & Cabinet member
9	Hylands House Reserve	To contribute to Hylands House and Estate costs	Relevant Director & Cabinet member
10	Housing Initiatives	To establish funding to undertake initial stages of projects that may not be capital costs.	Section 151 & Cabinet member
11	DPO Reserve	The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process	Chief Executive
12	Project Evaluation Resrve	The capital programme includes scheme which require further feasibility and business work, so this reserve enables	Section 151 & Cabinet member
13	Carry forwards & Supplementary estin	These are working balances arising from the carry forward policy, set out in financial regulations. Also to fund a normal level of supplementary estimates in 2022/23.	Relevant Director & Cabinet member
14	General Fund	These are uncommitted working balances to meet the unforeseen needs of the Council.	Normal Supplementary estimate rules (within constitution)
15	Business Retention reserve	To meet one off costs arising from Business Rate Retention	To be used by Section 151 as part of the annual closure of the Business Rate account

Section 7 **Risks & Robust Budget**

Statement from the Chief Financial Officer under s25 of the Local Government Act 2003

Introduction

The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under the Local Government Act 2003 (Section 25) and must be made at the time the budget is considered and the council tax is set. The Act requires the Council to have regard to the report in making its decisions at its budget- and council-tax-setting meetings.

In expressing this opinion, I have considered the financial management arrangements of the Council, the overall financial and economic environment, the financial risk facing the Council, the budget assumptions, the level of reserves, and the Council's overall financial standing.

Financial Management Arrangements

The Council has a rigorous system of budget monitoring and financial control in place, with regular reporting both at Executive and Scrutiny level, via the Audit & Risk Committee (year-end review), Overview and Scrutiny Panel (mid-year review) and Cabinet. Where budget variances have arisen, prompt management actions are identified to minimise any adverse effect.

Cabinet Members supplied a critical layer of budget challenge to the process, through meetings with their Directors, to explore opportunities for efficiencies, cost reduction or income generation. The Council's Management Team has reviewed and challenged the budget at various stages throughout its construction, including the reasonableness of the key budget assumptions, such as estimates of inflationary and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for.

The budget has been prepared within the terms of the Medium-Term Financial Strategy and in consideration of the key financial risks identified. However, during the budget process the inflation assumption for 2022/23 was increased from 2% to 3.2% (September 2021 CPI). The level of inflation continues to give concern as it is now expected to be between 5-6% during 2022 and is a factor when considering the appropriate level of reserves.

Budget estimates are estimates of spending and income made at a point in time and which will change as circumstances change. The estimates for 2022/23 were made when the impact of Omicron was unknown. The section 151 statement about the robustness of estimates gives Members reasonable assurance that the budget has been based on the best information and assumptions available at the time. The statement does not and cannot give a 100% guarantee about the accuracy of the budget.

The Council is internally carrying out an assessment against Financial Management Code, CIPFA's model of best practice and will report it to Audit and Risk Management Committee during 2022.

The Council continues to meet requirements to produce what has now become a suite of financial management reporting, including the budget report, Medium-Term Financial Strategy (MTFS), Treasury Management and Investment Strategies and Capital Strategy, which form the framework for financial decision-making. In addition, the Council has due regard to both statutory and non-statutory guidance including the Prudential Code for Capital Finance in Local Authorities

and related DLUHC Investment Guidance. There are changes proposed to those Codes for implementation in 2023/24. Officers will fully review the codes and report in 2022/23 if there are any material issues impacting on the Council's financial management. Initial reports on the revised draft codes have already been made to the Treasury Management and Investment Sub-committee.

Reporting against the financial framework is undertaken via the budget monitoring process referred to earlier in this section and through the external review of the financial statements of the Council and its arrangements to secure economy, efficiency, and effectiveness in its use of resources (value for money conclusion) from the Council's external auditors. This is supported by the Performance review work of the Overview and Scrutiny Committee, the Treasury Management and Investment Sub-committee and the Risk Management process.

There are two factors beyond the Council's control which create some weakness in the financial arrangements that should be resolved over the next couple of years but currently need to be highlighted:

- Timeliness of External Audit. Nationally only 9% of Local Authority Audits were completed on time (as of September 2021). There are always some local authorities whose accounts are not of sufficient quality to enable completion of audits to the prescribed timetable. However, for the last two years the vast majority of delays nationally in audit completion were due to external audit firms. For Chelmsford the lateness of external audit reports means the budget is being set without external validation of the reserve balances. The Section 151 officer does sign off the accounts with confidence that financial reporting (including reserves) is correct, but it is of great importance that timely external scrutiny of the accounts takes place.
- Prior to Covid, the Council's services had for two years overspent their net budgets. The budgets following those overspends built in additional financial capacity to fund the higher level of net spending by services. Unfortunately, the onset of Covid has meant that it has not been possible to keep service net expenditure within those increased budgets. The risk of changes in circumstances once the estimates are set can only be mitigated by an appropriate level of reserves/contingency to cover risk.

I consider the financial management arrangements of the Council to be sufficiently robust to maintain adequate and effective control of the budget for 2022/23.

Financial and Economic Environment, Risks and Assumptions

The financial strategy is revisited fully annually every July in the Medium-Term Financial Strategy (MTFS) report to Cabinet and Council. This budget report updates the financial forecast in **Section 6**. The budget and forecast assumptions are based on Members' commitment to continue with a prudent and sustainable financial approach going forward.

During 2020/21 and 2021/22, much of the financial focus has been on the effect of the coronavirus pandemic on the Council's income streams, with parking, commercial rents, Leisure, and other income streams being badly hit. For 2022/23, and beyond, assumptions have been made in the budget as to how quickly, and to what extent, these income streams will recover. The levels of income are not certain but are based on the best information available. The position for 2022/23 does require the use of reserves (£0.5m) to offset lower income of the theatre in part from covid but also because of the closure for modernisation and a further £0.3m to cover

temporary lost rent income. It is prudent and sensible to use reserves in such a manner if it is believed, as it is, that over the medium-term income will recover.

The forecast for 2023/24 does not assume a further recovery in car parking income but evidence in 2021/22 pre-omicron suggest that it may be possible. Car parking income over the next few years is likely to be detrimentally affected by the developments taking place on the former Riverside site, Baddow Road and also following reviews of the City Centre car parks. On the financial upside a new surface car park at the north Chelmsford Station will be transferred into the Council's ownership. There is insufficient data regarding timings to take a comprehensive view in the forecast on these matters. So financial planning in the next MTFS report in July will attempt to address this area of financial risk.

Rental Income: the Council prior to Covid was dependent on £5.3m of rental income per annum. The structural changes taking place in the retail and office space rental markets make it likely that income will not fully recover. The 2022/23 budget contains £4.1m of rental income with an increase of £0.4m assumed in 2023/24. However, a number of office spaces that the Council rents out are due to be relet (Aquila House and Visteon) over the next few years putting at risk some £1.3m of rental income at least temporarily.

Inflation: The budget has provision for inflation on employee costs and other key items for 2022/23. It also contains a general inflation provision. However, the expected increase of CPI to around 6% does leave the Council exposed to financial risk. The Council has traditionally under budgeted for inflation costs with services generally succeeding in managing the inflation risk. The main inflationary risks will be the 2022/23 pay award and utility costs. The budget allows for a 2.5% increase in pay, every 1% increase above that is an additional cost of £0.35m. There is also a significant additional inflationary risk to the Capital programme which will feed into higher project costs and borrowing/financing costs in revenue. There is little the Council can do to alleviate to mitigate these risks at this time given the uncertainty. An increase in financial provision would require additional savings and service cuts that may turn out not to be required. In the short-term use of reserves could be used to manage the risks but, on the basis that savings would be needed to fund any ongoing costs beyond 2022/23.

Revenue budget growth: The forecast in Section 6 includes provision for £0.3m of annual revenue growth. This is for items where service provision needs to be enhanced. Consideration may need to be given in the 2023/24 budget to building in a contingency which can be used to fund this growth in advance. As supplementary estimates and cabinet reports seeking additional ongoing revenue are funded at the expense of increasing the next year's budget gap. Given the increasingly challenging financial environment, this matter will need to be considered in the July MTFS report.

The Covid/economic climate will affect income received for other services offered by the Council, on the collection rates for both Council tax and Business Rates, and on the level of bad debts experienced by the Council. To date the Government has pretty much fully funded Council tax and Business Rates losses.

Chelmsford like all Councils received additional emergency funding for Covid-19 pressures in 2020/21 and 2021/22. Without this additional Covid-19-related funding, the Council would have had to draw considerably higher amounts from its reserves to plug the temporary gap in its budget, while waiting for income streams to recover over time. This would have left the Council

with a severely reduced buffer to deal with unpredicted spending (such as future unknown events related to Covid or anything else or to compensate for any falls in major income streams). It is reasonable to assume should income losses be on the same scale as in 2020/21, that the Government will provide Councils with one-off financial assistance.

The Government funding settlement for 2022/23 is again only providing a funding position for one year rather than a 3-year funding plan. The Government has a headline figure of “core spending power” (CSP), which is meant to represent the overall revenue funding available for local authority services. For 2022/23 this will rise by 6.9% across England in cash terms. This assumes maximum Council Tax increases and growth in the number of homes paying Council Tax. This increase in funding is intended to cover the increases in employer costs of National Insurance and Social Care costs.

However, for Chelmsford, core spending power for 2022/23 as measured by Government, is in fact retained at its 2021/22 level i.e., zero growth. The major reduction in New Homes Bonus, due to removal of legacy payments from previous years, meant that an overall reduction in resources would have been experienced. To combat this, the Government introduced a floor mechanism, for 2022/23 only (but they also said that in 2021/22), and protected Councils via a Lower Tier Services Grant (continued from 2021/22) and Service Grant. The Service Grant has been identified by Government as only payable for one year and will not be included in any transitional arrangements to new funding allocations after 2022/23. The national funding for the Service grant will be re-allocated to local authorities in future years but in an unknown manner.

	2021/22	2022/23	Change	Change
	£m	£m	£m	%
Core Spending Power	21.348	21.349	0.001	0.0%
Breakdown of core spending power:				
Settlement Funding Assessment	3.408	3.409	0.001	0.0%
Council Tax (Assumed Council Tax for 2022/23)	13.987	14.557	0.570	4.1%
Other grants	3.953	3.383	-0.570	-14.4%

Breakdown of other grants:				
New Homes Bonus	3.130	2.155	-0.975	-31.2%
Lower Tier Service Grant	0.645	0.713	0.068	10.5%
2022/23 Services Grant	0	0.235	0.235	
Other	0.178	0.280	0.102	57.7%

The New Homes Bonus (NHB) Scheme is set for review. The Council has not used NHB to support ongoing revenue expenditure which is generally the approach taken by most Councils nationally, given the Government has stated on many occasions a desire to reduce the generosity of the scheme or potentially abolish it. New Homes Bonus has been used in the Council’s budget to support capital spend via the Chelmsford Development Reserve.

The risks inherent in the funding announcement are multi-fold and remain unchanged from those reported last year. First and foremost is the continued uncertainty provided by a single-year Settlement, exacerbated by the lack of information on progress with Levelling Up and the Fair Funding review, rescheduled for introduction in 2023/24, which could see seismic shifts in the redistribution of funding between authorities, based on a major overhaul of the mechanism for

assessing their relative needs. While the 2022/23 Settlement removed the threat of negative Revenue Support Grant and provided the funding floor mechanism described above, there is no guarantee that this will not unwind under a new allocation mechanism, leaving the Council worse off. The expectation would be that any major redistributive effects would have some sort of transition arrangements attached, to allow Councils time to respond, however, this is simply speculation at this point. Of course, the Government could also base its on-going settlement on the spending power (less Service grant), if such a commitment were made the Council's ongoing funding assumptions might be revised up depending on Business rates retained income. This potential gain is because the City does not treat New Homes Bonus as an ongoing funding stream, though it is in Core spending power as defined by Government.

Without a longer term stable financial settlement, local authority budgets, including the City's, can only be effectively planned for one year.

The remodelling of the Business Rates Retention Scheme has also been deferred, with one of the major factors at play being whether the baselines for business rates growth will be reset within the system, potentially wiping out gains to date. However, cutting this source of local authority funding is very difficult as Councils have become reliant on it. The City Council's base budget for 2022/23 relies on some £0.5m of Business Rate retention, this level of income has proven to be much lower than what was actually received annually over the last 3 years.

Outside of core spending power, funding streams for homelessness support and prevention have been maintained but, once again, are for a single year with no certainty as to future allocations or mechanisms for distribution.

The Council continues to seek other forms of funding and has an excellent track record in securing grant from a variety of sources such as Homes England (Housing Infrastructure Fund), DLUHC (Rough Sleeper Initiatives, Rapid Rehousing Pathway, Next Steps Accommodation Programme), Arts Council (Culture Recovery Fund), National Lottery Heritage Fund and many others. However, it is important that any one-off funding is used to provide additional services over and above that provided by core delivery or to provide one-off enhancements to assets, rather than to form any part of funding for ongoing service delivery.

These are all key considerations in assessing the robustness of the estimates contained within the budget report and the adequacy of the Council's reserves. There is interplay between the two, as the more certain we can be about the estimates, the lower the level of "just in case" reserves we need to keep and vice versa. The 2022/23 budget will yet again contain a great deal of uncertainty and risk, however, the estimates are as accurate as can be produced under the current circumstances, so it is vital that sufficient reserves are held to guard against changes to these estimates.

I consider that these budget proposals take due regard to risk, including the financial and economic environment, and that the assumptions within the budget are reasonable and the estimates used are robust.

Level of Reserves and Overall Financial Standing

Nationally there are an increasing number of Councils issuing Section 114 notices. A s114 notice stops all non-essential spending and provides for a 21-day period for the Council to consider the report and what action it may take as a result. A further notice must be issued if the budget remains unbalanced. CIPFA amended their guidance on issuing s114 notices, so that Councils could hold off issuing them if they were in talks with Government about funding. This is likely to

have reduced the number of s114 reports that would otherwise have been issued. High profile Section 114 cases are Northamptonshire, Nottingham, Slough, and Croydon. It is believed that a further 20-30 Councils are in active discussions seeking further government support to avoid effective bankruptcy (Section 114 notices). It is unclear if Covid has accelerated financial failure in these local authorities or if existing financial and managerial problems were the cause.

The Section 151 officer of the Council declares if a Section 114 notice is necessary. The City Council does not have a foreseeable need for a Section 114 notice.

The level of reserves needs to be an appropriate level to support any change in circumstances after estimates have been set. In past years, councils have been criticised for holding too high a level of reserves but more recently, given the increased awareness of the potential for local government failure, there has been greater emphasis on financial sustainability, which requires holding a “reasonable” level of reserves. Determining the appropriate levels of reserves is a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget preparation, corporate plans, budget assumptions, earmarked reserves and provisions, and the Council’s track record in budget management. It is also a judgement on the external factors that influence the Council’s current and future funding position.

The Budget Strategy, approved by Council in December 2020, contained a recommendation to increase the target level of unearmarked reserves to £9m. While this was only a small percentage rise (to around 6% of gross expenditure (£7m to £9m)) it provided additional capacity to cope with variations in the estimates. This is vital in the current circumstances, particularly given the volatility of the Council’s income streams during the pandemic and the increased difficulty of projecting how these income streams will respond in the future.

The level of reserves must also be determined by looking beyond a single year. It must also be recognised there is much less ability going forward to boost the level of reserves, so their use must be carefully managed.

In **Section 6, Table 8**, the projected use, and levels of Reserves to the period 2025/26 are shown. There is a decline in the level of unearmarked reserves, so they fall to the £9m target. The decline is due to their use to manage short term income losses as previously discussed but also allows for a £1.6m additional contribution to Capital. This is in line with the financial strategy in 2021/22, which is to use surplus reserves to minimise capital borrowing. The level of contribution to capital will depend upon the 2021/22 financial outturn, which if more adversely affected by Covid than currently forecast will result in a lower contribution.

The contributions to capital from ‘surplus’ reserves will reduce the ongoing revenue financing costs (MRP) of the capital programme, but it does reduce the flexibility to fund short term income losses or one-off costs going forward. So, should income continue to be affected by Covid for longer than expected, it will become necessary to review reserve levels but more importantly the ongoing costs of the Council.

The high-level revenue budget forecast set out in **Section 6** shows a potential budget gap of £1.4m in 2023/24 rising to some £2.5m by 2026/27. The report has already highlighted the potential risks in this forecast, not least from the unknown changes that may occur from Covid 19 and new Government funding arrangements from 2023/24. The unearmarked reserves need to be at or around the £9m target level to support mitigation of these risks.

To maintain the Council’s good financial standing:

- The Council will need to make an early start on identification of savings proposals to ensure a balanced budget moving forward and will continue to look for innovation and efficiency in its use of resources.
- Continuation of best practice by the development of business cases for new initiatives and capital schemes to ensure costs are minimised and benefits maximised.
- Continually commit to maintaining adequate Unearmarked Reserves
- Recognition that cost increases need to be matched by funding, which may include the potential need to reduce costs
- Plan for service enhancements in a timely manner to ensure funding is available for Corporate priorities
- Continuing to drive service improvement in an affordable way
- A review of the Financial Strategy in July 2022 based on the prevailing conditions at that time.

In addition to unearmarked reserves, the Council holds a number of earmarked reserves to provide for future expenditure such as pension deficit payments, to guard against specific risk such as the reserve to support revenue costs of abortive capital projects, and to hold uncertain income until it is fully realised (Business Rates Retention income). Further detail on these reserves is contained in **Section 6** of the report.

I consider the level of reserves presented in the budget estimates to be adequate to support the on-going financial sustainability of the Council. However, early identification of additional costs and future net savings (cost reductions or increased income generation) is essential to support the sound financial standing of the Council.

Conclusions

The City Council faces uncertain government funding and loss of ongoing income due to Covid. This is the same for all English local authorities and will require the Council to maintain robust control over costs, maximise income, continue to find ongoing savings whilst managing the risks associated with these processes by having adequate levels of reserves. This will require members, the Chief Executive and Directors to continue to practice strong financial discipline including recognising the financial restrictions the Council faces.

Taking all of the above into account, as the Council's Chief Financial Officer, I am satisfied that the budget proposals set out in this report are robust and sustainable and that the level of reserves is adequate to address the financial risk facing the Council.

Phil Reeves - Section 151 Officer/Chief Financial Officer

Section 8
Council Tax & Business Rates

The Council's budget is heavily dependent on Council tax income. Not only is the amount significant (£14m) but it also provides a stable income. The Council has only limited discretion to increase Council Tax, as the Government annually set a threshold which if exceeded requires a local referendum.

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

This section identifies the issues arising from Business Rates and Council Tax when setting the Council's Budget for 2022/23.

Council Tax Referendums

The Government has announced that Council Tax increases of the greater of either 2% or £5 for District authorities will not be subject to a local referendum. The budget includes proposals to increase a band D Council Tax by £4.91 per year.

Council Tax, Parish Grant & Special Expenses Proposal 2022/23

The Council levies Council Tax by identifying a Precept (net Council expenditure after government grants); a charge is then calculated for each residential property. The average of these charges is expressed as a "Band D Average". The average is estimated by dividing the precept by the tax base (the number of Band D equivalent properties in the City Council area). The tax base for 2022/23 is 70,141.68.

A summary of the known Council Tax charges from each of the precepting authorities (an average is shown for Parishes) is shown in **Table 10**.

Table 10

	2020/21	2022/23	Increase	
	£	£	£	%
Chelmsford City Council (average)	203.95	208.86	4.91	2.41%
Essex County Council Police, Fire and Crime Commissioner for Essex	To follow			
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	To follow			
<hr/>				
Parish and Town Councils (average)	To follow			
<hr/>				
TOTAL	<hr/> <hr/>			

The Parish Council figures are not yet all available but will be included in the report to Council in February with Special Expenses.

A Council Tax resolution will be drafted for Council upon approval of the precepts. The dates when the precepts become known are Essex County Council on the 10th February and Essex Police & Fire on the 3rd February.

If any precepts are not available by the 25th February Council meeting, an additional Council meeting will be convened to approve Council Tax billing levels.

The Section 151 Officer will prepare a formal Council Tax and Budget resolution for February Council based on the Cabinet recommendations in this report. The budget resolution is a technical document which reflects the information contained in the Revenue Budget reports. The resolution can only be completed on receipt of all the Parish information and after the Council has declared its Collection Fund Surplus or Deficit.

The Average Band D Council Tax for Chelmsford City for 2022/23 is 208.86.

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

Council Tax Surplus or Deficit

The Collection Fund records the amount of income collected from Council Tax, the Local Council Tax Support scheme costs, together with precept payments to principal authorities. These elements will generate a surplus or a deficit which should be taken into account when determining the Council Tax for the following year. Chelmsford City Council's share of the Council Tax Surplus for 2022/23 is £53k; after adjustment for the 2020/21 deficit, the Government allowed us to spread this over 3 years (using a set formula)

Business Rate Surplus or Deficit

To meet the legal requirements when setting the budget for 2022/23, the Council is required to declare by the 31st January 2021 a Business Rate Retention Surplus or Deficit, after submitting a return (NDR1) to Government. The Business Rate Retention figures contained in this report are therefore provisional and will be updated so that the Council Tax Resolution produced for Council will include a summary of the final surplus or deficit. Any changes to the figures will be managed through Reserves (Business Rates Timing Reserve and Unearmarked Reserves)

CHARGES TO PARISH AND TOWN COUNCIL AREAS									Table 11								
2021/22									2022/23								
←-- PARISH PRECEPTS -->			←----- BAND D EQUIVALENTS ----->						←-- PARISH PRECEPTS -->			←----- BAND D EQUIVALENTS ----->					
PARISH/ TOWN COUNCIL	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes	
	(1)	(2)	(3)		(5)		(4)	(6)	(1)	(2)	(3)	£	(5)	£	(4)	(6)	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Great Baddow	438,650	-170	438,480	179.10	8.28	187.38	80.64	268.02									
Little Baddow	46,053	34	46,087	179.10	19.08	198.18	52.56	250.74									
Boreham	89,950	-5	89,945	179.10	5.67	184.77	63.09	247.86									
Broomfield	139,500	-104	139,396	179.10	22.50	201.60	55.08	256.68									
Chignal	7,600	4	7,604	179.10	29.70	208.80	24.12	232.92									
Danbury	265,623	-8	265,615	179.10	3.42	182.52	109.17	291.69									
Galleywood	107,223	-47	107,176	179.10	27.54	206.64	51.12	257.76									
Good Easter	10,710	6	10,716	179.10	17.55	196.65	61.29	257.94									
East Hanningfield	35,892	18	35,910	179.10	26.37	205.47	73.44	278.91									
South Hanningfield	86,500	-45	86,455	179.10	19.44	198.54	71.82	270.36									
West Hanningfield	26,625	-15	26,610	179.10	21.33	200.43	55.89	256.32									
Highwood	31,851	8	31,859	179.10	19.62	198.72	98.01	296.73									
Great & Little Leighs	30,000	-17	29,983	179.10	32.58	211.68	26.01	237.69									
Margaretting	12,420	-1	12,419	179.10	19.89	198.99	31.68	230.67									
Mashbury	0	0	0	179.10	17.55	196.65	0.00	196.65									
Pleshey	8,432	3	8,435	179.10	17.55	196.65	61.47	258.12									
Rettendon	42,099	-27	42,072	179.10	24.48	203.58	53.82	257.40									
Roxwell	15,000	-6	14,994	179.10	0.00	179.10	31.32	210.42									
Runwell	109,438	33	109,471	179.10	17.91	197.01	59.76	256.77									
Sandon	35,200	-26	35,174	179.10	23.31	202.41	47.70	250.11									
Springfield	410,540	89	410,629	179.10	31.86	210.96	51.93	262.89									
Stock	44,790	-52	44,738	179.10	18.90	198.00	37.71	235.71									
Great Waltham	53,180	-39	53,141	179.10	21.78	200.88	56.61	257.49									
Little Waltham	44,355	0	44,355	179.10	23.85	202.95	54.81	257.76									
South Woodham Ferrers	428,187	159	428,346	179.10	23.85	202.95	70.47	273.42									
Woodham Ferrers & Bicknacre	82,621	26	82,647	179.10	18.63	197.73	66.87	264.60									
Writtle	136,063	-66	135,997	179.10	2.34	181.44	67.59	249.03									
Town Centre (non-Parished area)				179.10	33.57	212.67	0.00	212.67									
TOTALS	2,738,502	-249	2,738,253														
														
AVERAGE						203.95	39.93	243.88									
																

To be calculated on a receipt of the last Parish precept.

NOTES

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

Section 9
Revenue Budget Reports

Revenue Service Budgets

This section contains

1. Subjective Analysis of the Council Revenue Budget (**Table 12**)
2. A summary of the budget (**Table 13**)
3. Service Budgets (Expenditure and Income) for 2022/23 (**Table 14**)

Table 12 - SUBJECTIVE ANALYSIS OF THE REVENUE BUDGET

2020/21 Actual £000s		2021/22 Original £000s	2022/23 Estimate £000s
	EXPENDITURE		
36,720	Employees - Salaries	33,703	35,485
351	- Other	344	237
7,256	Premises	7,568	8,131
9,882	Supplies and Services	10,788	11,557
2,175	Transport and Plant	1,862	1,668
1,451	Third Party Payments	1,771	1,810
42,995	Benefit Payments	38,985	39,313
100,830	TOTAL CONTROL EXPENDITURE	95,021	98,201
	INCOME		
-53,299	Government Grants	-38,510	-38,811
-4,045	Other Grants and Reimbursements	-3,511	-3,820
-563	Sales	-941	-960
-11,182	Fees and Charges	-21,552	-23,934
-7,463	Rents	-7,849	-8,428
-1,043	Other	-2,060	-2,100
-77,595	TOTAL CONTROL INCOME	-74,423	-78,053
23,235	NET CONTROL EXPENDITURE	20,598	20,148
	INTERNAL RECHARGES		
25,185	Service Management and Overheads	25,352	26,434
-25,336	Recharges	-25,507	-26,624
-151		-155	-190
23,084	SERVICE EXPENDITURE	20,443	19,958
	OTHER ITEMS		
-434	Interest Receivable & Investment Income	-290	-701
275	Interest Payable & MRP	1,009	921
-21,399	Business Rate Retention Adjustment	16,673	2,589
-	Direct Revenue Financing of Capital	3,130	2,155
-4,720	New Homes Bonus & Other Govt Grants	-5,625	-3,383
-26,278		14,897	1,581
	USE OF RESERVES AND BALANCES		
14,110	Contributions - from / to Earmarked Reserves	-16,677	-2,579
6,174	Contributions - from / to Un-Earmarked Reserves	-1,321	-849
20,284		-17,998	-3,428
17,090	BUDGET REQUIREMENT	17,342	18,111
	LESS GOVERNMENT SUPPORT		
-3,408		-3,408	-3,408
-100	Collection Fund (Surplus) / Deficit	53	-53
13,582	CALL ON COLLECTION FUND	13,987	14,650

Please note the implementation of a new finance system has meant this schedule has been restated since last year

TABLE 13 - SUMMARY OF REVENUE ESTIMATES

TABLE 13 - SUMMARY OF REVENUE ESTIMATES				
2021/22		2022/23	2022/23	2022/23
Original Estimate	Original Estimates 2022/23	Estimated Spend	Estimated Income	Net Estimate
£'000		£'000	£'000	£'000
498	Chief Executive	572	-25	547
9,547	Connected Chelmsford	51,339	-41,030	10,309
29	Fairer Chelmsford - CDRM	577	-515	62
1,067	Fairer Chelmsford	9,919	-8,694	1,225
-1,981	Sustainable Development	7,025	-10,133	-3,108
11,438	Greener & Safer Chelmsford	28,769	-17,656	11,113
20,598	Service Expenditure	98,201	-78,053	20,148
	Other General Fund Items			
-155	- Charges to SEPP			-190
-290	- Interest Income			-701
1,009	- Minimum Revenue Provision & Interest Paid			921
3,130	- Revenue Funding of Capital			2,155
-5,625	- Other Grants (including New Homes Bonus, Section 31 Grants)			-3,383
16,673	- Business Rate Retention Scheme			2,589
	Earmarked Reserves			
0	- Use of Carry Forward Reserves			-50
-16,874	- Business Rates Retention Scheme Reserve			-3,089
197	- Contributions to / -use of Other Earmarked reserves			560
18,663	Net Expenditure			18,960
-1,321	Contribution to / -from Balances			-849
17,342	Budget Requirement			18,111
-3,408	Baseline Retained Business Rates			-3,408
53	Council Tax -Surplus/+Deficit			-53
13,987	Income from Council Tax			14,650

TABLE 14 - SERVICE BUDGETS

CHIEF EXECUTIVE

2021/22 Original Budget £		2022/23 Estimated Spend £	2022/23 Estimated Income £	2022/23 Net Estimate £
497,500	CHIEF EXECUTIVE & DPO	572,300	-25,200	547,100
497,500		572,300	-25,200	547,100
497,500		572,300	-25,200	547,100

CONNECTED CHELMSFORD

2021/22 Original Budget £		2022/23 Estimated Spend £	2022/23 Estimated Income £	2022/23 Net Estimate £
258,500	DIRECTOR OF CONNECTED CHELMSFORD			
	DIRECTOR OF CONNECTED CHELMSFORD	271,700	-	271,700
258,500		271,700	0	271,700
	DIGITAL SERVICES			
2,875,100	DIGITAL SERVICES	3,069,300	-43,300	3,026,000
2,875,100		3,069,300	-43,300	3,026,000
	MARKETING AND COMMUNICATIONS TEAM			
764,000	CUSTOMER SERVICES	752,900	-	752,900
770,900	MARKETING & COMMUNICATION	847,800	-	847,800
1,534,900		1,600,700	0	1,600,700
	HUMAN RESOURCES			
743,700	HUMAN RESOURCES	786,300	-39,000	747,300
125,000	PAYROLL	136,800	-4,300	132,500
868,700		923,100	-43,300	879,800
	LEGAL & DEMOCRATIC SERVICES			
777,100	LEGAL AND DEMOCRATIC SERVICES	870,200	-18,800	851,400
239,700	ELECTIONS	258,600	-1,300	257,300
786,100	DEMOCRATIC SERVICES	811,500	-	811,500
1,802,900		1,940,300	-20,100	1,920,200
	PROCUREMENT, RISKS & INSURANCE			
140,000	PROCUREMENT	167,500	-	167,500
290,000	VOLUNTARY GRANTS	290,000	-	290,000
147,100	INSURANCE & RISK	140,600	-	140,600
55,300	FRAUD INVESTIGATIONS	57,600	-	57,600
632,400		655,700	0	655,700
	BENEFITS & REVENUES			
835,200	REVENUES & BENEFITS	2,131,400	-1,189,000	942,400
-281,600	HB SUBSIDY	38,135,000	-38,416,600	-281,600
553,600		40,266,400	-39,605,600	660,800
	CULTURE			
31,200	CULTURE	405,400	-351,100	54,300
321,800	THEATRES	1,410,100	-823,600	586,500
668,300	MUSEUM	796,200	-142,600	653,600
1,021,300		2,611,700	-1,317,300	1,294,400
9,547,400		51,338,900	-41,029,600	10,309,300

FAIRER CHELMSFORD - CDRM

2021/22 Original Budget £		2022/23 Estimated Spend £	2022/23 Estimated Income £	2022/23 Net Estimate £
28,500	CORPORATE MANAGEMENT & DEMO. REPRESENT.	576,600	-515,200	61,400
28,500		576,600	-515,200	61,400
28,500		576,600	-515,200	61,400

FAIRER CHELMSFORD

2021/22 Original Budget £		2022/23 Estimated Spend £	2022/23 Estimated Income £	2022/23 Net Estimate £
	SECTION 151 OFFICER			
175,500	FINANCE MANAGER	-	-	-
763,600	FINANCE CM & DRM	774,500	-4,200	770,300
939,100		774,500	-4,200	770,300
	ACCOUNTANCY, SYSTEMS & EXCHEQUER			
985,500	ACCOUNTANCY	1,055,500	-2,400	1,053,100
985,500		1,055,500	-2,400	1,053,100
	AUDIT			
189,900	INTERNAL AUDIT	196,100	-	196,100
189,900		196,100	0	196,100
	PROPERTY SERVICES			
-3,730,000	PROPERTY HOLDINGS	240,900	-4,135,400	-3,894,500
434,900	PROPERTY - SUPPORT SERVICES	448,400	-2,100	446,300
-3,295,100		689,300	-4,137,500	-3,448,200
	HOUSING SERVICES			
386,200	STRATEGIC HOUSING	1,511,100	-876,900	634,200
406,400	TEMPORARY ACCOMMODATION	2,089,200	-1,611,900	477,300
68,800	BED & BREAKFAST	2,008,100	-1,926,500	81,600
20,800	HOUSING NEEDS	60,500	-8,200	52,300
268,500	STRATEGIC HOUSING - RDS	268,500	-	268,500
1,097,200	STRATEGIC HOUSING SUPPORT	1,266,500	-125,900	1,140,600
2,247,900		7,203,900	-4,549,400	2,654,500
1,067,300		9,919,300	-8,693,500	1,225,800

SUSTAINABLE DEVELOPMENT

2021/22 Original Budget £		2022/23 Estimated Spend £	2022/23 Estimated Income £	2022/23 Net Estimate £
	DEVELOPMENT MANAGEMENT			
479,200	DEVELOPMENT MANAGEMENT	2,097,500	-1,508,300	589,200
-89,900	LOCAL LAND CHARGES	121,100	-231,300	-110,200
389,300		2,218,600	-1,739,600	479,000
	ECONOMIC DEVELOPMENT AND IMPLEMENTATION			
283,900	ECONOMIC DEVELOPMENT & IMPLEMENTATION	581,300	-112,100	469,200
283,900		581,300	-112,100	469,200
	BUILDING CONTROL			
82,200	BUILDING CONTROL	598,800	-509,600	89,200
82,200		598,800	-509,600	89,200
	PLANNING POLICY			
762,900	PLANNING POLICY	1,117,900	-312,000	805,900
762,900		1,117,900	-312,000	805,900
	CAR PARK OPERATIONS			
-3,617,500	CAR PARKS	2,066,400	-7,125,600	-5,059,200
141,300	PARKING SUPPORT	147,300	-	147,300
-23,200	PARK AND RIDE	294,200	-333,600	-39,400
-3,499,400		2,507,900	-7,459,200	-4,951,300
-1,981,100		7,024,500	-10,132,500	-3,108,000

GREENER & SAFER CHELMSFORD

2021/22 Original Budget £		2022/23 Estimated Spend £	2022/23 Estimated Income £	2022/23 Net Estimate £
	OPERATIONS			
1,858,400	WASTE & GARDEN COMPOSTING	2,496,700	-577,400	1,919,300
-492,700	TRADE WASTE	1,032,100	-1,604,300	-572,200
523,900	RECYCLING - MRF, GENERAL & FOOD	3,547,800	-2,905,600	642,200
408,200	VEHICLE MAINTENANCE WORKSHOP	497,600	-74,800	422,800
2,297,800		7,574,200	-5,162,100	2,412,100
	STREET CARE AND PERFORMANCE			
160,200	PUBLIC CONVENIENCES	168,100	-	168,100
-45,100	MARKET	444,600	-471,200	-26,600
1,478,500	STREET CLEANING	1,626,300	-86,300	1,540,000
99,200	STREET SERVICES	195,600	-115,400	80,200
165,500	LOVE YOUR CHELMSFORD	167,200	-	167,200
254,600	FREIGHTER HOUSE DEPOT	273,800	-8,300	265,500
1,007,700	FREIGHTER HSE CUSTOMER & BUSINESS SUPP	1,060,400	-	1,060,400
3,120,600		3,936,000	-681,200	3,254,800
	BUILDING SERVICES			
478,200	BUILDING SERVICES - SUPPORT	488,500	-	488,500
1,133,300	BUILDING SERVICES - PROPERTIES	1,332,200	-150,400	1,181,800
255,200	ENERGY & CONTRACT MANAGEMENT	259,300	-	259,300
28,100	PRINT UNIT	-	-	-
1,894,800		2,080,000	-150,400	1,929,600
	PUBLIC HEALTH AND PROTECTION SERVICES			
44,700	HIGHWAYS	54,200	-	54,200
-8,000	SCIENTIFIC	36,900	-45,000	-8,100
-212,600	LICENSING	195,500	-395,100	-199,600
-4,300	BUSINESS COMPLIANCE	44,600	-23,500	21,100
26,700	PUBLIC HEALTH PROTECTION	39,800	-7,900	31,900
27,600	HEALTH & SAFETY	27,600	-	27,600
-11,200	PEST CONTROL	32,000	-16,500	15,500
1,406,400	PUBLIC HEALTH & PROTECTION SUPPORT	1,395,800	-28,000	1,367,800
305,900	CCTV	353,200	-55,500	297,700
107,400	COMMUNITY SAFETY	141,800	-28,200	113,600
12,500	HOUSING STANDARDS	49,400	-38,100	11,300
1,600	ANIMAL WELFARE	15,900	-14,800	1,100
1,696,700		2,386,700	-652,600	1,734,100
	PARKS AND GREEN SPACES			
-10,400	ALLOTMENTS	18,100	-28,500	-10,400
554,400	PARKS & HERITAGE CUSTOMER & BUSINESS SUP	577,400	-	577,400
-100,900	HYLANDS PARK & ESTATE	147,800	-385,200	-237,400
100,300	PARKS GARDENS & RECREATION GROUNDS	120,400	-16,500	103,900
126,800	PLAY AREAS	128,800	-	128,800
-64,300	PARKS EVENTS & ACTIVITIES	1,300	-65,900	-64,600
-62,500	OUTDOOR SPORTS & PLAYING FIELDS	320,200	-383,200	-63,000
120,300	TREE INSPECTION & MAINTENANCE	124,000	-3,700	120,300
-11,700	NATURAL & GREEN SPACE, COMMON	15,000	-27,200	-12,200
-1,100	AMENITY GREEN SPACE& GREEN INFRASTR	184,400	-178,800	5,600
2,058,200	GROUND MAINTENANCE OPERATIONS	2,576,700	-434,700	2,142,000

186,000	GROUND MAINTENANCE - CREMATORIUM	192,500	-	192,500
-1,684,800	CEMETERY AND CREMATORIUM	659,500	-2,376,800	-1,717,300
1,210,300		5,066,100	-3,900,500	1,165,600
	LEISURE AND HERITAGE SERVICES			
35,600	DOVEDALE SPORTS CENTRE	207,800	-176,200	31,600
336,700	CHELMSFORD SPORTS AND ATHLETIC CENTRE	858,900	-576,100	282,800
319,000	RIVERSIDE ICE AND LEISURE	3,902,000	-3,912,100	-10,100
418,000	SOUTH WOODHAM FERRERS LEISURE CENTRE	1,113,700	-781,200	332,500
-210,000	CULTURAL EVENTS	-	-370,000	-370,000
255,600	COMMUNITY SPORTS & WELLBEING	387,600	-105,900	281,700
62,900	HYLANDS HOUSE & VISITORS CENTRE	1,256,400	-1,187,700	68,700
1,217,800		7,726,400	-7,109,200	617,200
11,438,000		28,769,400	-17,656,000	11,113,400

Section 10 Capital Budget Reports

Capital Budgets

This section contains:

- Revisions to Existing Approved Capital Schemes – Details in **Table 15** and **Table 16**
- Revisions to the Asset Replacement Programme 2021/22 and proposals for new budgets for 2022/23 – Details in **Table 17** and **Table 18**

Introduction

The capital programme for 2021/22 identified in **Section 10** of this report reflects updated information in December 2021.

Capital schemes have in most cases two types of cost. One-off, those which result from procuring or improving an asset and are funded from capital and ongoing, those incurred to run the asset, and these must be funded from Council Tax, i.e. revenue costs.

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

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

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

As a matter of policy, electrical or zero emission vehicles will be the first choice of replacement unless technical/practical constraints prevent their use by a service. Funding of £170k has been provided within the programme and, if required, services will request supplementary estimates to draw down from this if their current budget provision proves insufficient.

Existing Approved Capital Schemes

Project Officers have been monitoring schemes and the updated budgets in **Table 15** reflect the latest estimated cost information. The total estimated cost is £143.963m.

A summary of variations for the current approved total scheme costs across all years is a net increase of £6.212m. Proposed increases in budget will require approval. Details of the £6.212m net increase are shown in **Table 15** with further details in **Table 16** where those variations are in excess of £25k.

Scheme numbers 56, 57 and 58 are CIL schemes where funding has been approved by the Community Funding Panel. They need Cabinet approval for the £117k spend for the grants to be made to the organisations.

In Section 7 of the report the Section 151 officer identifies inflation as a significant financial risk facing the Council. The prices of raw materials and labour are rising. Capital scheme costs could increase above estimates when tenders are undertaken. Recently the tender for construction of the

industrial units at Galleywood Hall has identified a £850k cost increase (including additional contingency). A proposal for Cabinet to increase the budget has been included, as it is necessary seek early approval to meet the terms of the tender. An additional review of the business case will take place before entering any contractually binding agreements. The HIF Access Road and Bridge budgeted cost is £26.6m but large elements of the scheme are still subject to tender. There is a high risk of significant cost increases. When the results of tenders are known any material changes in the financial implications will be reported to Cabinet and Council.

The capital and revenue figures exclude the budget approved for a potential city centre asset purchase, as the matter is still subject to commercial discussions. Should the position change then the budget papers for Council will be updated under delegation by the Section 151 Officer after consultation with the Cabinet member for a Fairer Chelmsford.

Asset Replacement Programme

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

Previously, asset replacements have been approved as part of the overall programme. A decision has been taken to challenge the need for scheduled replacements to take place, and although an estimated overall cost of the asset replacement programme will be kept for forward planning purposes to enable the monitoring of the resource position, approval of individual items will be on an annual basis.

2021/22 Asset Replacements

Table 17 provides details of the 2021/22 asset replacement programme. The current approved programme is £4.388m. It has now been identified that £379k is required to be rephased to 2022/23 and future years, due to services deferring or delays in acquiring the assets. These assets require approval to be rephased to 2022/23. Details of these delays are provided in **Table 18**.

Table 17 also shows a net change in scheme costs, a net increase of £38k. Increases to individual budgets will require approval. **Table 18** provides further details for those variations in excess of £25K.

Table 17 includes a number of items that need approval by Cabinet in order to have timely delivery. Scheme numbers 10 and 11 are being funded by the Safer Streets Grant and require approval by Cabinet for the £185k budget as the schemes need to be completed by the 31st March 2022.

The balance of costs is for approval by Council in February 2022.

After allowing for the above adjustments, **Table 17** shows the total proposed budget requirement for 2021/22 as £4.047m.

2022/23 Replacements

There is currently £2.963m approved for 2022/23. There is a net increase of £9k identified for these schemes and increases will require approval.

As stated above, of the £379k being rephased from 2021/22, £367k will be rephased into 2022/23 and requires approval.

Table 17 provides details of the new asset replacements or refurbishments for 2022/23 which total £2.144m.

The total replacement budget for 2022/23 is £5.483m.

Table 18 provides explanations for those variations in excess of £25k for both 2021/22 and 2022/23.

Capital and Revenue Resources

The Council funds its capital programme from leasing, contributions, government grants, capital receipts, revenue contributions and borrowing.

The Capital Strategy 2022/23 identifies the capital resources position and the Medium-Term Financial Forecast, in **Section 6**, identifies the revenue budget position allowing for financing costs. The Prudential Indicators are detailed in the Capital Strategy 2022/23.

		Table 15 - CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS					
		Latest Approved Budget - Approved November 2021 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Expenditure to Date		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			
	Connected Chelmsford								
38	1 Theatres' Modernisation	1,000	500	1,500	0	1,500	Programming of works still to be determined	Approved at Council February 2021 and programmed for 2021/22. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. Works have been deferred until Summer 2022. An additional £500k was approved November 2021. Tenders have not yet been returned.	
	Fairer Chelmsford								
	2 Land Development Site Investigations	365		365		365	Programming of works still to be determined	Approved Cabinet November 2021.	
1,934	3 Enabling Lockside Growth Area	450	4,550	5,000		5,000	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. It is likely that this scheme will continue into 2022/23. An additional £500k was approved November 2021.	
246	4 Galleywood Hall Development Industrial Units	1,200	-200	1,000	850	1,850	Awaiting planning permission - Late Delivery	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.	
65	5 Bridge Repairs	300	-185	115		115	No	Approved at Council February 2019. May 2020 non urgent works deferred to later year.	
	6 Land Acquisition Cemetery/Crematorium	1,800	1,800	3,600		3,600	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020.	
	7 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 2022/23.	
	8 Refurbishment of Commercially Leased Properties	720	380	1,100		1,100	Under Review	Approved at Council February 2020 and programmed for 2021/22. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021.	

6,105	9	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy	7,000	143	7,143	10,920	18,063	No - delay due to lack of suitable properties.	Approved at Council February 2020 and currently programmed for 2020/21. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Additional £50k approved November 2021.
12	10	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	9,900		9,900	-5,675	4,225	Business Case to be Developed	Approved at Council February 2020. Delegated authority to Cabinet. Following a review of the programme works will now commence in 2021/22 with completion estimated 2023/24.
237	11	Enabling Role - Housing	237		237		237	Dependent on Third party - Late delivery	The remaining balance is for a previously agreed payment to CHP.
80	12	Drakes' Lane Travellers Site	1,950		1,950		1,950		Approved by Urgency March 2021.
Greener and Safer Chelmsford									
	13	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.
	14	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.
135	15	Community Flood Improvements	184		184		184	Third party Dependent - Late Delivery	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017. Works scheduled to be completed in 2021/22.
148	16	Hylands Park North Kiosk Toilet Refurbishment	60	88	148		148	Completed	£60k approved Council February 2019. Scheme review resulted in additional £138k approved July 2020 Cabinet. Returned tenders came in at £148k and the budget was increased by an additional £10k, approved at Council Feb 2021.
35	17	Hylands' Hanbury Memorial Garden	45		45		45	No	Approved via supplementary estimate 2/9/19 funded by a contribution from The Friends of Hylands House (FOHH).
67	18	Hylands' Outdoor Wedding Ceremony Area	75		75		75	Yes	Approved supplementary estimate June 2021 £75k
253	19	Saltcoats Park and Compass Gardens Car Park	253		253		253	Yes	Approved at Council February 2020 and programmed for 2021/22.
	20	Beaulieu Park Pavilion Refurbishment	57		57		57	Yes	Approved at Council February 2020 and programmed for 2021/22.
	21	Chancellor Park Pavilion Works	46		46		46	Yes	Approved at Council February 2020 and programmed for 2021/22.
	22	Rivers and Waterways Improvements	600	-107	493		493	Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Programmed over 3 years commencing 2021/22.
14	23	Automatic Floodgates and Provisin of Locks - Feasibility		107	107		107	Yes	Budget approved September 2020 Cabinet. Budget vired from Rivers and Waterways Improvements.

4,474	39	HIF Access Road and Bridge - Grant Funded	15,500	11,095	26,595	26,595	Yes	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Report taken to September cabinet requesting an additional budget of £11m of which is to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing. An additional £11m approved by Council December 2020.
1,461	40	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	41	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.
1,311	42	S106 Beaulieu Sports Facility	477	834	1,311	1,311	Completed	£477k approved by Cabinet in January 2019 with delegation to spend further S106 contributions when received. Additional contributions received and therefore added to approved budget.
38	43	S106 Public Art Bond Street	44		44	44	No	Approved by delegation February 2019.
34	44	S106 Stonebridge Illuminations	37	6	43	43	No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.
2	45	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.
11	46	S106 Public Art Channels	21	79	100	100	No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021.
106	47	CIL REFCUS Schemes 19/20	72	34	106	106	Yes	Scheme approved April 2019 £72k. Revenue Expenditure Funded by Capital Under Statute (REFCUS). NEW £30k various CIL schemes approved July 2019.
10	48	CIL REFCUS Schemes 20/21	17	-7	10	10	Unspecified	£17k Approved March 2020.
	49	CIL Sutherland Lodge Refurbishment	525		525	525	Awaiting Business case - Late delivery	Approved Council July 2017.
	50	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.
300	51	CIL Homelessness Day Centre CHESS New London Rd	300		300	300	Dependent on Third party - Late delivery	CIL funding approved July 2019.
247	52	CIL Age Concern First Floor Extension Grant	212	35	247	247	Dependent on Third party - Late delivery	Approved scheme with CIL funding March 2020. Additional CIL funding approved Urgency letter October 2020 £25k
47	53	CIL Integrated Cycling Infrastructure Grant	100		100	100	Yes	CIL funding approved at meeting of the CIL Panel 23/1/2020.
	54	CIL Trinity Road School Improvements	950		950	950	Yes	Proposal for CIL funding will need to be approved by Cabinet once notification of support received from ECC's Capital Investment Board. Approved at Council February 2021
43	55	CIL Sanctus New Premises Fit Out Grant	43		43	43	Completed	Approved October 2020 Urgency Letter

97	56	CIL Road Improvements Main Road Hospital Approach Grant to ECC			0	97	97	Yes	CIL funding approved January 2019.
	57	CIL Grant Chelmsford Society Model Engineers			0	5	5	Yes	CIL funding approved December 2021
	58	CIL Green Initiatives			0	15	15	Yes	CIL funding approved December 2021
	59	CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500	Yes	Forward funding grant to ECC to be made 2021/22. Approved Council May 2021.
370	60	Townfield Street Car Park Water Ingress Prevention	360	10	370		370	Yes	Approved February 2021 Council
63,883		Grand Total	72,894	64,857	137,751	6,212	143,963		
					Net Variation	6,212			

			Summary of Changes Since Previous Council Reports November 2021		
63,883		Total Expenditure to 31/12/2021		£000's	
78,304		Latest Forecast Expenditure 31/03/2022		133,926	
-14,421		Spend Still to Commit in Year		3,450	
				365	
23,960		2021/22 Latest Forecast Spend in year		10	
-150		Spend deferred to later year			
117		Net Changes in Scheme Cost in Year			
23,927		Current Forecast in Year spend			
			Total Approved Budget	137,751	
			<u>Latest Forecast Variations shown above</u>		
			Increased Budgets Require Approval	6,212	
			Decreased budgets		
			Latest Forecast Budget October 2021	143,963	

Table 16 - 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						
4 Galleywood Hall Development Industrial Units	1,000	1,850	850	Increase in budget	85.00%	Tenders have now been received, The construction cost has increased from an estimated £800k to £1.5m. Rising costs of construction and materials have previously been reported as a risk. A 10% contingency on build costs has also been included.
9 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy	7,143	18,063	10,920	Increase in budget	152.88%	The pressures of the pandemic and a national housing shortage means the Council continues to face higher demand for temporary accommodation. The budget therefore needs to be increased. Additional investment will only be undertaken if it offers a more cost effective solution than existing solutions.
10 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	9,900	4,225	-5,675	Reduction and virement of budget	-57.32%	The budget was intended to undertake purchase of exception sites which provide additional housing. Changes to planning rules has reduced the availability of such sites. The Council is also likley to transfer a number of its own land sites to social housing providers rather than undertake direct development itself. Some of the budget is therefore being transferred to other Housing initiatives.
Sustainable Development						
56 CIL Road Improvements Main Road Hospital Approach Grant to ECC	0	97	97	Increase in budget, Fully Funded	100.00%	Funding provision was approved in principal at Cabinet in January 2019 but at that time there was not a fully worked up scheme. ECC have now submitted their request for the grant to be made.

Table 16

Table 17 - CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME

		2021/22									2022/23							
		2021/22 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO LATEST FORECAST									2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
		VARIATION FROM 2021/22 BUDGET ONLY									2022/23 BUDGET							
Net Expenditure to Date	CAPITAL ASSET REPLACEMENT PROGRAMME	Analysis of Variations									Variations							
		Original Approved Estimates for 2021/22	Additional/Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2021/22	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Variance for 2021/22 Additional Budget	Total Budget Requirement	Original Approved Estimate 2022/23	Additional/Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2022/23	Re phasing from 2021/22 Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Replacement Proposals for 2022/23	Total Proposed Budget Requirement for 2022/23
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
	Connected Chelmsford																	
21	1 Digital Services Replacement Programme	290	-255	PH, RD, V	35	-8		-4	-12	23			186			40	234	
6	2 Digital Helpdesk System Replacement	25			25				0	25							0	
26	3 Website Upgrade	75			75	-23			-23	52					23	75	98	
75	4 Theatres' Equipment	115	-40	PH	75				0	75			40			0	40	
16	5 Cramphorn Theatre Replacement Floor	17			17				0	17							0	
	6 Museum Equipment and Vehicles															30	30	
	Fairer Chelmsford																	
	No Schemes				0				0	0							0	
	Greener and Safer Chelmsford																	
9	7 CCTV Replacement Equipment	13			13	-10			-10	3							10	
	8 CCTV Various Schemes Sites CIL	3			3	-3			-3	0							3	
156	9 CCTV Safer Streets Bunny Walks				0			165		165							0	
	10 Street Lighting Safer Streets Bunny Walks				0			20		20							0	
1	11 Crematorium Equipment	17	60	SEN	77	-16			-16	61					16	68	84	
11	12 Crematorium Columbarium	14	-3	PV	11				0	11							0	
4	13 Civic Centre Alarm	6			6				0	6							0	
12	14 Civic Centre Heating	13			13				0	13						32	32	
36	15 Civic Centre Server Room Air Conditioning	40			40				0	40							0	
	16 Civic Centre Floor Replacements	31			31	-31			-31	0							31	
	17 Print and Post Room Replacement Equip.	28	-20	RD, V	8				1	9						3	3	

		2021/22										2022/23							
		2021/22 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO LATEST FORECAST										2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
		VARIATION FROM 2021/22 BUDGET ONLY										2022/23 BUDGET							
		Analysis of Variations										Variations							
Net Expenditure to Date	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2021/22	Additional/Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2021/22	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Variance for 2021/22 Additional Budget	Total Budget Requirement 2021/22	Original Approved Estimate 2022/23	Additional/Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2022/23	Re phasing from 2021/22 Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Replacement Proposals for 2022/23	Total Proposed Budget Requirement for 2022/23	
																			£000's
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
3	18 Dovedales Replacement Equipment	10	-6	PH	4				0	4	6			6			4	10	
17	19 Riverside Replacement Equipment	48	-31	PH, PV, SEN	17				0	17			0				24	24	
	20 Riverside Plant												0				2	2	
16	21 CSAC Replacement Equipment	135	-118	PH, PV, SEN	17				0	17	118		118		10		30	158	
	22 CSAC Plant	6	-6	PH	0				0	0	6		6					6	
3	23 SWFLC Replacement Programme	69	-21	PH,PV	48	-45			-45	3	19		19	45			1	65	
8	24 SWFLC Plant Replacement	7	14	SEN	21	-8			-13	8			0	8			17	25	
	25 SWF 3G Pitch				0				0	0			0				20	20	
	26 Hylands House Fire Alarm				0				0	0			0				15	15	
	27 Hylands Pavilion Skins and Linings				0				0	0			0				60	60	
	28 Hylands pavilion Equipment				0				0	0			0				14	14	
236	29 Play Area Replacements	265	5	PV	270			8	8	278	311		311					311	
25	30 Sports Equipment, floodlights, Irrigation	35			35				0	35			0					0	
116	31 Hylands Car Park Machines and CCTV	135			135			-10	-10	125			0					0	
380	32 Parks Replacement Vehicles and Equipment	624	-201	PH, PV	423	-25			-4	-29	218		218	25			304	547	
	33 Waterhouse Lane Depot Heating				0				0	0			0				10	10	
19	34 PHPS Vehicles and Electric Chargers	100	-3	PV	97			-78	-78	19			0					0	
	35 PHPS Air Monitoring Equipment	20			20	-20			-20	0			0	20			60	80	
	36 PHPS Street Lighting	21			21	-21			-21	0			0	21				21	
	37 CIL Street Lighting Meadows Car Park	5			5	-5			-5	0			0	5				5	
	38 Travel pool Cars	60			60			-60	-60	0			0					0	
	39 Scootas for the Disabled	10	2		12	-12			-12	0			0					0	
30	40 Retail Market Vehicle	31			31			-1	-1	30			0					0	
271	41 Street Cleansing Vehicles	720	-339	PH	381	-109			-109	272	363		363	109	8		125	605	
80	42 Street Cleansing Dog Litter van	81	1	PV	82				0	82			0					0	
	43 Wet Team Equipment	8	-8	PH	0				0	0	8		8				3	11	

		2021/22										2022/23							
		2021/22 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO LATEST FORECAST										2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS							
		VARIATION FROM 2021/22 BUDGET ONLY										2022/23 BUDGET							
		Analysis of Variations										Variations							
Net Expenditure to Date	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2021/22	Additional/Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2021/22	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Variance for 2021/22 Additional Budget	Total Budget Requirement 2021/22	Original Approved Estimate 2022/23	Additional/Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2022/23	Re phasing from 2021/22 Requires Approval	More/Less(-) Than Approved Budgets - More Requires Approval	New Replacement Proposals for 2022/23	Total Proposed Budget Requirement for 2022/23	
																			£000's
39	44 Hit Squad Replacements	83			83				0	83				0				0	
	45 Refuse Vehicles				0				0	0			256			-7	110	359	
	46 Vehicle Maintenance				0				0	0				0		13	13		
1461	47 Recycling Vehicles	1,499	-11	PV	1,488			-4	-4	1,484			422			-2	450	870	
	48 Food Vehicles	0			0				0	0			840					840	
	49 Service Development Van	35			35	-35			-35	0				0	35			35	
	50 Prov. for Replacement with Electric Veh.				0				0	0			170					170	
10	51 Healthy Home Loans				0		10		10	10				0		10		10	
7	52 Discretionary Loans DFG Funded				0				0	0				0				0	
464	53 Disabled Facility Grants	600			600				0	600				0		600		600	
	54 Housing Standards	12			12				0	12				0				0	
54	55 PLACE		54	SEG	54				0	54				0				0	
	<u>Sustainable Development</u>																		
	56 Car Park LED Lighting	8			8	-8			-8	0				0	8			8	
	57 Car Park Vehicles and Equipment													0		24		24	
3,612	Totals	5,314	-926		4,388	-379	195	-157	-341	4,047			2,963	0	2,963	367	9	2,144	5,483
							38									376			
																2,520			

Reasons for Variations Greater Than £25,000 in Asset Replacement Programme						
Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason
<u>2021/22</u>						
<u>Connected Chelmsford</u>						
No Variations over £25k						
<u>Greener and Safer Chelmsford</u>						
9,10 Safer Streets Bunny Walks	0	185	185	New Scheme fully funded by Grant	100.00%	Grant received to implement safety measures previously included as revenue but is actually a capital spend.
16 Civic Centre Floor Replacements	31	0	-31	Rephasing of spend to 2022/23	-100.00%	Works have been rephased pending a fully worked up scheme for improvements to the Civic Centre following the increase in home working.
23 SWFLC Equipment	48	3	-45	Rephasing of spend to 2022/23	-93.75%	The scheme to replace the gym equipment has been rephased to 2022/23
32 Parks Replacement Vehicles and Equipment	423	394	-29	Rephasing of spend to 2022/23	-6.86%	Review of vehicles undertaken by service manager which has resulted in the deferral of replacements £25k as the existing assets are in good condition and can be used for another year before replacement and a saving £4k.
34 PHPS Vehicles	97	19	-78	Budget to be removed - no longer required	-80.41%	Following investigation into the options to acquire these vehicles, a decision has been reached that contract hire is the best option for the Council and therefore the budget is not required for the outright purchase of the vehicles and can be removed. These vehicles will be electric.
38 Travel Pool Cars	60	0	-60	Budget to be removed - no longer required	-100.00%	Following investigation into the options to acquire these vehicles, a decision has been reached that contract hire is the best option for the Council and therefore the budget is not required for the outright purchase of the vehicles and can be removed. These vehicles will be electric.
41 Street Cleansing Vehicles	381	272	-109	Rephasing of spend to 2022/23	-28.61%	Service manager has had problems sourcing suitable replacement vehicles and has deferred the budget to 2022/23.
48 Service Development Van	35	0	-35	Rephasing of spend to 2022/23	-100.00%	Service manager has had problems sourcing suitable replacement vehicles and has deferred the budget to 2022/23. This vehicle will be electric.
<u>2022/23</u>						
<u>Greener and Safer Chelmsford</u>						
16 Civic Centre Floor Replacements	0	31	31	Rephasing of spend from 2021/22	100.00%	See above
23 SWFLC Equipment	0	45	45	Rephasing of spend from 2021/22	100.00%	See above
32 Parks Replacement Vehicles and Equipment	0	25	25	Rephasing of spend from 2021/22	100.00%	See above
41 Street Cleansing Vehicles	0	109	109	Rephasing of spend from 2021/22	100.00%	See above
48 Service Development Van	0	35	35	Rephasing of spend from 2021/22	100.00%	See above

Table 18

APPENDIX 2

To Be completed for Full Council



Chelmsford City Council Cabinet

25 January 2022

Public Open Spaces Policy

Report by:

Cabinet Member for Greener and Safer Chelmsford

Officer Contact:

Keith Nicholson Director of Public Places keith.nicholson@chelmsford.gov.uk Tel: 01245 606775

Purpose

The report presents an updated Public Open Spaces Policy for consideration and adoption.

Options

The Cabinet has the following options available:

1. To adopt the Public Open Spaces Policy as presented
2. To agree changes to the Public Open Spaces Policy and adopt an amended version
3. Choose not to adopt the Public Open Spaces Policy in any form

Preferred option and reasons

The preferred option is to adopt the updated Public Open Spaces Policy as set out in Appendix A to the report. This is considered to reflect the ambitions set out in Our Chelmsford Our Plan adopted by the Council on 22 January 2020 together with the 'green space' policies set out in the Chelmsford Local Plan, adopted on 27 May 2020, and the Making Places and Planning Obligations Supplementary Planning Documents adopted on 26 January 2021.

Recommendation

It is recommended that Cabinet adopt the Public Open Spaces Policy as set out in Appendix 1 to the report.

1. Background and Context

- 1.1. Public open space is generally considered to be land of public value and can take many forms such as parks and communal green spaces, sports pitches and recreational areas, common land, woodlands, nature reserves, green corridors, country parks, play areas, residential open spaces, verges, and allotments.
- 1.2. Access to an inter-connected network of high quality, well maintained and safe spaces, providing opportunities to take part in sport, recreation, and physical activity and to experience nature and the benefits of green spaces, is important for the physical and mental health and well-being of communities.
- 1.3. On 16 July 2019 the Council declared a Climate and Ecological Emergency reflecting growing concerns about the impact of climate change on the local environment and natural resources generally. The Declaration is supported by an action plan to address these concerns, including measures to improve the green infrastructure and environmental quality, attractiveness and recreational potential of public spaces, rivers, and waterways.
- 1.4. 'Our Chelmsford, Our Plan' sets out the ambitions and priority actions to be taken by the City Council to make Chelmsford a safer and greener place, describing a commitment to '*protect and enhance wildlife habitats and landscapes in and around Chelmsford and connect people with the built and natural environment*', as well as ensuring that '*attractive, high quality green areas and public places*' are easily accessible for all.
- 1.5. Having in place a robust and definitive Public Open Spaces Policy that is up to date and reflects the important role that green space plays in today's society is fundamental to achieving this.

2. Public Open Spaces Policy

- 2.1. The Public Open Spaces Policy is attached as **Appendix 1** to this report.
- 2.2. The key principle driving the Public Open Space Policy is that the City Council will not dispose of land designated as public open space, including parks and green spaces, sports and recreational grounds, playing fields, play areas, woodlands, nature reserves or allotments, for any other purpose.
- 2.3. The Policy also sets out the approach for the acquisition of land for public open space purposes, the adoption of land as public open space, arrangements for the transfer of public open space and the limited circumstances and conditions that may allow the disposal of public open space.

3. Conclusion

- 3.1. The Public Open Spaces Policy as set out in **Appendix 1** to the report reflects the ambitions set out in 'Our Chelmsford Our Plan' and mirrors the 'green space' policies set out in the Chelmsford Local Plan, adopted on 27 May 2020, and the Making Places and Planning Obligations Supplementary Planning Documents adopted on 26 January 2021.
- 3.2. The protection of existing open space, securing access to new open space and ensuring open space is protected for future generations has never been more important. It is recommended that the Public Open Spaces Policy as set out in **Appendix 1** be adopted by the Council.

List of appendices:

Appendix 1 Chelmsford City Council – Public Open Spaces Policy

Background papers:

None

Corporate Implications

Legal/Constitutional:

There are no legal or constitutional implications associated with adopting the Public Open Spaces Policy. The Council has the statutory powers to hold and maintain land for public open space purposes

Financial:

There are no immediate financial implications of adopting an updated Public Open Spaces Policy. The aspects concerning the adoption of land as public open space and the transfer of public open space are intended to protect the Council's financial position

Potential impact on climate change and the environment:

The importance of public open space, particularly green space, in mitigating the impacts of climate change is well documented

Contribution toward achieving a net zero carbon position by 2030:

Not applicable [in respect of the Council's operations]

Personnel:

None

Risk Management:

There are no risk management issues associated with adopting the Public Open Spaces Policy

Equality and Diversity:

An equalities impact assessment has been carried out

Health and Safety:

There are no health and safety issues associated with adopting the Public Open Spaces Policy

Digital:

None

Other:

None

Consultees:

Spatial Planning Services Manager, Sustainable Communities

Relevant Policies and Strategies:

Climate and Ecological Emergency Declared by the Council on 16 July 2019

Climate and Ecological Emergency Action Plan agreed by Cabinet on 28 January 2020

'Our Chelmsford Our Plan' adopted by the Council on 22 January 2020

Chelmsford Local Plan adopted by the Council on 27 May 2020

Making Places Supplementary Planning Document approved by Cabinet on 26 January 2021

Planning Obligations Supplementary Planning Document approved by Cabinet on 26 January 2021

Appendix 1

Chelmsford City Council Public Open Spaces Policy

Background

1. Access to an inter-connected network of high quality, well maintained and safe open spaces, including opportunities to take part in sport, recreation and physical activity and to experience nature and the benefits of green spaces, is important for the physical and mental health and well-being of communities.
2. Public open space is generally considered to be land of public value and can take many forms, including parks and communal green spaces, sports pitches and recreational areas, common land, woodlands, nature reserves, green corridors, country parks, play areas, residential open spaces, highway verges and allotments.
3. Open space is more formally defined in the Town and Country Planning Act 1990 as land laid out as a public garden, or used for the purposes of public recreation, or land which is a disused burial ground.
4. The most recent National Planning Policy Framework extends the definition of open space further as '*... all open space of public value, including not just land, but also areas of water (such as rivers, canals, lakes and reservoirs) which offer important opportunities for sport and recreation and can act as a visual amenity.*'
5. Land is often held or designated as public open space under the provisions of the Open Spaces Act 1906, although not exclusively so, and is effectively held in trust¹ for the public by the local authority [in Chelmsford generally by the City or Parish Councils]. Some areas of public open space are 'administered' under specific schemes of management, for example those relating to common land and town or village greens.
6. Limitations on use, particularly in respect of disposal or redevelopment, may also exist when restrictive covenants are placed on specific areas of land following their adoption by the Council as public open space.

Context

7. 'Our Chelmsford, Our Plan' sets out a commitment to make '*Chelmsford a more attractive place, promoting Chelmsford's green credentials, ensuring communities are safe and creating a distinctive sense of place*' thereby ...
 - *protecting and enhancing wildlife, habitats and landscapes in and around Chelmsford and connecting people with the built and natural environment*
 - *providing attractive, high quality green areas and public places that are clean, safe and easily accessible for all*

¹ Section 10 of the Open Spaces Act 1906 provides that a local authority that has acquired control over any open space to which the 1906 Act applies shall, subject to certain conditions, hold and administer the open space in trust to allow the enjoyment of it by the public as an open space and for no other purpose

- *managing in a sustainable way to help reduce energy consumption and waste and to help preserve natural resources*

8. It is for local planning authorities to put in place policies to protect existing open space and assess the need for new open space provision in their areas, identifying opportunities for this to be provided.
9. Planning policies should be based on robust and up-to-date assessments of the need for open space, sport and recreation facilities, evaluating quantitative or qualitative deficits or surpluses. Open space assessments should identify opportunities for making new provision. The most recent open space assessment for Chelmsford was undertaken in 2016² to help determine what open space, sport and recreational provision needed to be accommodated in the new Local Plan.
10. The Chelmsford Local Plan 2013 to 2036, adopted on 27 May 2020, sets out the long-term vision for Chelmsford in terms of the strategic development of housing, employment, retail, leisure, community facilities and services, green infrastructure and transport. The Local Plan incorporates a 'spatial strategy' to deliver this vision.
11. The Local Plan focuses on achieving sustainable development and includes, amongst others, strategic priorities to ensure appropriate levels of open space are available, to protect and enhance sports and recreation facilities and to identify opportunities to expand the green infrastructure. These priorities are driven by the objectives to preserve and improve ecological connectivity, enhance landscape character, create new habitats, and realise a net gain for biodiversity.
12. In terms of public open space, the Local Plan sets out minimum access and quality standards for different types of open space in Chelmsford and the surrounding areas.

Core Policy

13. The fundamental principle driving the open space policy is that **Chelmsford City Council will not dispose of land designated as public open space, including parks and green spaces, sports and recreational grounds, playing fields, play areas, woodlands, nature reserves or allotments, for any other purpose.**
14. In this context, the key principles that will govern the approach to the acquisition of land for public open space purposes, the adoption of land as public open space, the transfer of public open space to a third party or the disposal of public open space are set out below.

Acquisition of land for public open space

15. The Council is actively committed to realising the objectives of the Green Infrastructure Strategic Plan 2018-2036 and the Climate and Ecological Emergency Action Plan, in particular to:
 - improve access and opportunities for recreation
 - improve biodiversity and create a well-connected network of ecosystems
 - support the development of thriving communities and healthy lifestyles
 - protect and enhance the area's heritage, landscape and sense of place

² Chelmsford Open Space Study 2016-2036 [Ethos Environmental Planning 2016]

- maintain healthy and diverse rivers and waterways
16. Access to public open space of all types is fundamental to achieving these outcomes and will require continued investment in the maintenance, improvement and enrichment of existing land holdings, as well as the acquisition of land to serve as public open space in areas where there is a shortfall or in places where connections and better links need to be established.
17. **Chelmsford City Council will take opportunities to secure access to green space, whether by access agreements or through land acquisition where this helps fulfil the priorities identified in the Green Infrastructure Strategic Plan and the Climate and Ecological Emergency Action Plan.**

Adoption of land as public open space

18. Providing a variety of safe, attractive and accessible public spaces that help enhance the health and well-being of communities is a core design objective of the Making Places Supplementary Planning Document adopted by the City Council in January 2021, focusing on:
- protecting and enhancing existing environmental assets
 - establishing new environmental assets
 - strengthening green links between new and existing development and with the surrounding countryside
 - increasing ecological connectivity and delivering high quality green space and landscapes for the benefit of both wildlife and people
 - reducing flood risk
19. The Planning Obligations Supplementary Planning Document, also adopted by the City Council in January 2021, sets out the expectations for the management and adoption of such open spaces.
20. **The preference is for all public open spaces to be transferred to and adopted by the Council with an appropriate commuted sum for ongoing maintenance. Adoption of local open space would usually take place after any maintenance liability periods have expired.**
21. Should a developer choose to retain and manage public open space, the Council will seek to put in place a public access agreement and an agreed maintenance specification and inspection regime to be secured through a legally binding agreement. In addition, the Council would expect that a conditional performance bond be issued by a reputable financial institution in favour of the Council, in a sum calculated in accordance with the Planning Obligations SPD current at the time and indexed linked for the duration of the bond.

Transfer of public open space

22. Subject to being complementary to service requirements and adhering with relevant service plans, it may be appropriate to transfer areas of public open space to parish councils or formally constituted community organisations where those organisations are best placed to advance particular open space objectives or where local management and maintenance arrangements may prove to be more cost effective.

23. However, all public open space should be adopted by the City Council in the first instance, to protect its status in the long-term, even if the ongoing management and maintenance is transferred to a parish or town council or other third party.
24. Any transfer of public open space to a parish council or community organisation will be subject to formal legal agreement that, amongst other things, ensures that ownership of the asset is returned to the City Council in the event that any breach of that agreement or the facilities not being maintained to a suitable standard for public use.
25. Any organisation receiving a transfer of public open space will need to demonstrate sufficient competence to ensure that they can fully meet duty of care responsibilities and have adequate arrangements and resources in place to ensure sustainable management and maintenance practices and to avoid any degradation to the public open space asset.
26. **Chelmsford City Council will consider options to transfer limited parts of public open space land holdings to sports clubs or other community charitable organisations, but only for the furtherance of outdoor grass roots sport and other recreational activities and not for any other purposes whatsoever or for commercial gain. Such arrangements shall not unduly fetter public access to and public use of open space.**
27. **Any request for the transfer of public open space for community or charitable reasons or by town or parish councils will be agreed only by way of a lease or licence-type arrangement. Chelmsford City Council will not relinquish the freehold interest of public open space to third parties.**

Disposal of public open space

28. Land designated as public open space as defined in the Chelmsford Local Plan will be maintained for this use and cannot be used for any other purpose; unless the alternative use promotes or complements the use of the land or is temporary in nature.
29. **Only in very exceptional circumstances will the disposal of public open space be considered and then only in accordance with the following principles:**
 - a) **An assessment has been undertaken which has clearly shown the open space, buildings or land to be surplus to requirements; or**
 - b) **The loss resulting from disposal would be replaced by equivalent or better provision in terms of quantity and quality in a suitable location; or**
 - c) **The disposal is for alternative sports and recreational provision, the benefits of which clearly outweigh the loss of the current or former use**
30. In those rare circumstances where land held as open space is considered to be surplus to requirements any disposal must be made in accordance with section 123 of the Local Government Act 1972 (as amended), including advertising the proposed disposal and considering any objections before such disposal can take place.
31. Requests for disposal or change of use of public open space for the sole benefit of individual residents or adjoining landowners will be declined unless the land has been deemed surplus to requirements under section 29 (a) of this policy.

32. The Council will take appropriate action to remedy any unauthorised access, trespass or adverse possession of public open space by any other party.

Other additions to public open space

33. **For land not currently designated for public use, if an assessment suggests that the land is needed to meet open space requirements or address open space deficits, measures will be taken to designate the land as public open space.**

Allotments

34. Allotments are a statutory service and if demand exists the City Council has an obligation to provide suitable sites.
35. **The consolidation of allotment holdings / leisure gardens and the release of allotment land for other purposes will only be considered if the statutory and policy criteria set by the Secretary of State can be satisfied. Secretary of State consent is required to dispose of statutory allotment land.**