



CHELTENHAM

BOROUGH COUNCIL

Notice of a meeting of Cabinet

Tuesday, 9 February 2016
7.30 pm
Pittville Room - Municipal Offices

| Membership | |
|---------------------|--|
| Councillors: | Steve Jordan, John Rawson, Rowena Hay, Peter Jeffries, Andrew McKinlay, Jon Walklett and Chris Coleman |

Agenda

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| 5. | GENERAL FUND REVENUE AND CAPITAL - REVISED BUDGET 2015/16, AND FINAL BUDGET PROPOSALS 2016/17 Report of the Cabinet Member Finance | (Pages 3 - 66) |
| 6. | HOUSING REVENUE ACCOUNT - REVISED FORECAST 2015/16 AND BUDGET PROPOSALS 2016/17 Report of the Cabinet Member Finance | (Pages 67 - 82) |
| 8. | BUDGET MONITORING REPORT 2015/16 - POSITION AS AT DECEMBER 2015 Report of the Cabinet Member Finance | (Pages 83 - 108) |
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Cheltenham Borough Council

Cabinet – 9th February 2016

Council – 12th February 2016

**General Fund Revenue and Capital – Revised Budget 2015/16, and
Final Budget Proposals 2016/17**

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| Accountable member | Cabinet Member for Finance, Councillor John Rawson |
| Accountable officer | Section 151 Officer, Paul Jones |
| Accountable scrutiny committee | Overview and Scrutiny Committee |
| Ward(s) affected | All |
| Key Decision | Yes |
| Executive summary | This report summarises the revised budget for 2015/16 and the Cabinet’s final budget proposals and pay policy statement for 2016/17. |
| Recommendations | <p style="text-align: center;">Cabinet / Council</p> <ol style="list-style-type: none"> 1. Note the revised budget for 2015/16 and approve the recommendation of the Section 151 Officer to transfer the identified saving of £307,900 to the budget strategy (support) reserve as detailed in Section 3.1. 2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations. 3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £190.84 for the year 2016/17 (an increase of 1.99% or £3.72 a year for a Band D property). 4. Approve the growth proposals, including one off initiatives at Appendix 4. 5. Approve the savings / additional income totalling £780,700 and the budget strategy at Appendix 5. 6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6. 7. Approve the proposal to abolish charges in council car parks after 6pm as detailed in Section 8. 8. Approve a 1% increase in all Member allowances, in line with the proposed increase in staff pay, as detailed in Section 9. 9. Approve the local council tax support scheme for 2016/17 as outlined in Section 11, which remains unchanged from 2015/16 |

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other than the annual uprating for non-dependant deductions.

10. Approve the proposed capital programme at Appendix 7, as outlined in Section 13.
11. Approve the Pay Policy Statement for 2016/17, including the continued payment of a living wage supplement at Appendix 9.
12. Approve a level of supplementary estimate of £100,000 for 2016/17 as outlined in Section 18.
13. Note that the Council will remain in the Gloucestershire business rates pool for 2016/17 (para 4.15).

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| Financial implications | As contained in the report and appendices. Contact officer: Paul Jones. E-mail: paul.jones@cheltenham.gov.uk Tel no: 01242 775154 |
| Legal implications | The budget setting process must follow the Council's Budget and Policy Framework Rules. Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements. The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above a specific level - which is 2% for district councils in 2016/17. Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves. Contact officer: Peter Lewis E-mail: peter.lewis@teWKesbury.gov.uk Tel no: 01684 272012 |

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| <p>HR implications (including learning and organisational development)</p> | <p>In the spirit of building on our positive employee relations environment, the recognised trade unions received a budget briefing at the Joint Consultative Committee on 17th December 2015. Dialogue with the recognised trade unions will continue in order to ensure that the potential impact on employees is kept to a minimum and in doing so help to avoid the need for any compulsory redundancies. The Council's policies on managing change and consultation will be followed.</p> <p>Going forward, it is important that capacity is carefully monitored and managed in respect of any reductions in staffing and reduced income streams.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p> |
| <p>Key risks</p> | <p>As outlined in Appendix 1</p> |
| <p>Corporate and community plan Implications</p> | <p>The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.</p> |
| <p>Environmental and climate change implications</p> | <p>The final budget contains a number of proposals for improving the local environment, as set out in this report.</p> |

The Council takes its statutory duties to promote equality of opportunity seriously. The 2010 Equality Act sets out that we must have due regard to the need to advance equality of opportunity between people who share a protected characteristic and those who do not. The groups that share a protected characteristic include those defined by age, ethnicity, disability, religion or belief and sexual orientation

The Cabinet Member Finance and Chief Finance Officer have been mindful of this statutory duty in how the budget proposals have been prepared. The community and equality impacts of the various budget proposals are as follows:

| <p>Budget Proposal</p> | <p>Potential community and equality impacts and any mitigating actions</p> |
|--|---|
| <p>Organisational changes, including management and staff restructuring</p> | <p>Ensuring that our human resource processes used to enable staff restructuring are compliant with equality legislation</p> |
| <p>Shared services</p> | <p>As above, ensuring that our human resource processes, used to enable staff restructuring are compliant with equality legislation. Equality impact assessments will also be carried out for each service that is proposed to be shared with the 2020 partnership as part of the business cases being considered by Cabinet.</p> |
| <p>Savings from the reducing management fee paid to the Cheltenham Trust</p> | <p>The equality and community impacts of the work to establish the Cheltenham Trust were set out in report to cabinet on 12 December 2012; the report identified that the agreed outcomes recognise the groups where participation is potentially lowest. This is being monitored through quarterly review meetings.</p> |
| <p>Savings from changing the way we manage waste</p> | <p>None identified</p> |
| <p>Savings from rationalising our property portfolio</p> | <p>Any more detailed proposals for changing the way we manage our property assets will be subject to specific equality impact</p> |

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| | assessments |
| Savings from the way we lease vehicles | None identified |
| Additional income from advertising and sponsorship | None identified |
| Additional income from the purchase of Delta Place | None identified at this stage. The plans to move the council's operations into Delta Place will be subject to detailed consultation with a range of customer groups to ensure that the building is accessible as possible. |
| Proposed changes to the funding of the Countywide Home Improvement Agency | Reduced funding could impact discretionary services (Support For Choice) provided by the County Council to elderly residents in Cheltenham, but there is little evidence to show how past funding by CBC has contributed to outcomes in this area and any impact would therefore be minimal. Applicants for Disabled Facilities Grants forming part of this group have always been advised in this respect by CBC officers as part of the grant process. The council remains committed to giving advice to elderly, vulnerable and disabled persons who contact the Council for housing related support. |

1. Background

- 1.1** In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2016. The consultation took place between the period 16th December 2015 to 20th January 2016 and this report sets out the final proposals for 2016/17.
- 1.2** The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, in 2016/17 more than 67% of the Council's overall core Government funding (referred to as the Settlement Funding Assessment), comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. By 2019/20 this will rise to 100% as the Government proposes to completely phase out the Revenue Support Grant (RSG). This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.
- 1.3** The Spending Review 2015 confirmed that by the end of this Parliament, local government will retain 100 per cent of business rate revenues to fund local services although the system of top-ups and tariffs which redistributes revenues between local authorities will be retained. In return, local government will be required to take on additional responsibilities which may include the funding of public health and the administration of Housing Benefit for pensioners. The Government propose to consult on these and other additional responsibilities in 2016.
- 1.4** The New Homes Bonus forms an integral part of the financing of local government and is indeed used in the Government's preferred terminology of 'Spending Power' that it utilises when the settlement is announced. The final budget proposals sets out clearly the anticipated use of New Homes Bonus to support the Council's spending requirement.

2. Budget Assessment of the Section 151 Officer

- 2.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on HRA to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 2.2 The Section 151 Officer is satisfied that the proposed budget for 2016/17 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2016/17. The full assessment is attached at Appendix 2.

3. 2015/16 Budget Monitoring to December 2015

- 3.1 The budget monitoring report to the end of December 2015, also considered by Cabinet on 9th February 2016, identified a net underspend against the budget of £307,900 to the end of December 2015. It is therefore the recommendation of the Section 151 Officer that this saving is transferred to the budget strategy (support) reserve to help support the 2016/17 and future year's budget proposals in accordance with the Medium Term Financial Strategy.

4. Settlement Funding Assessment

- 4.1 On 17th December 2015, the Secretary of State for Communities and Local Government announced the provisional local government settlement for 2016/17. The announcement included the following significant proposals to be delivered over the life of the Spending Review Period:
- Movement to 100% business rate retention;
 - Permission to spend 100% of capital receipts from asset sales, to fund cost-saving reforms;
 - Introduction of a social care Council Tax precept of 2% a year for those authorities with social care responsibilities;
 - Flexibility for the lowest cost district councils to increase council tax by £5 a year;
 - Increased support through the Rural Services Delivery Grant for the most sparsely populated rural areas;
 - Retention of New Homes Bonus **but** with proposed changes, savings from the changes to be re-invested in authorities with social care responsibilities;
 - The offer of a guaranteed 4 year budget to every council, which desires one, and which can demonstrate efficiency savings.
- 4.2 In addition to the detailed proposals for 2016/17, illustrative figures have also been provided for each financial year up to 2019/20. The illustrative figures need to be treated cautiously as they do not include the full implications of proposed changes to the New Homes Bonus or implications of the move to 100% business rate retention. In the case of changes to the New Homes Bonus, the illustrative figures showed a reduction in New Homes Bonus in 2018/19, whereas the consultation document indicated that reductions may come into effect in 2017/18.
- 4.3 The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.
- 4.4 The provisional local government settlement for 2016/17 equates to a further grant reduction in

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cash terms of £0.816 million or 17.4%. The final settlement for 2016/17 is due to be announced on the week commencing 8th February 2016 and will be tabled as part of the 2016/17 final budget proposals.

- 4.5** This means that since 2009/10, the Council's core funding from the Government has been cut by some £5.7 million, from £8.8 million to £3.1 million (this excludes council tax support funding which transferred into the settlement funding assessment in 2013/14).
- 4.6** Given the above it appears that this Council has been adversely affected by this settlement as greater weighting is placed on the council tax base. In addition, as a wholly urban authority with tightly drawn boundaries, Cheltenham has much less capacity for increasing the number of homes, and therefore benefitting from New Homes Bonus (NHB), compared to rural areas.
- 4.7** Allocations have been determined by equal percentage cuts in "settlement core funding" which is the sum of Revenue Support Grant (RSG), business rates targets and for the first time council tax. Therefore, as Cheltenham funds a higher proportion of its net budget requirement from council tax, it is set to receive a higher reduction in government funding.
- 4.8** Cheltenham will see its government funded spending power per head of population reduce from £54.37 in 2015/16 to £31.79 in 2019/20, a 41.5% reduction. The average government funded spending power per head of population for shire district urban authorities in 2019/20 is projected to be £39.76, a significant difference of nearly £8 per head of population. If Cheltenham were to receive the average amount for a shire district urban authority, this would equate to an additional £940,000 in government funding in 2019/20.
- 4.9** The proposal to include council tax in the settlement core funding assessment would appear unjust as council tax has always been assessed as the source of funding used for meeting the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants. The council tax charge for Cheltenham residents has been the subject of debate for more than three decades and has been determined by successive Councils based on the need to fund the services its residents need and wish to enjoy.
- 4.10** The proposed levels of Government funding for this Council are set out in the table below which also shows recent reductions in funding. Overall, core Government funding (referred to as the Settlement Funding Assessment) will reduce by 17.4% in 2016/17.

| | 2014/15 | 2015/16 | 2016/17 |
|--|----------------|----------------|----------------|
| | £ 000 | £ 000 | £ 000 |
| Revenue Support Grant | 2,921 | 2,110 | 1,273 |
| Baseline Funding (Cheltenham's target level of retained business rates) | 2,530 | 2,579 | 2,600 |
| Settlement Funding Assessment | 5,451 | 4,689 | 3,873 |
| Actual cash (decrease) over previous year | | (0.762) | (0.816) |
| % reduction in funding | | 14.0% | 17.4% |

Business Rate Retention and Pooling

- 4.11** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. In the first year of operation the Pool reported a surplus of £774,862.
- 4.12** In 2014/15, the pool suffered a significant loss due to the impact of backdated appeals on rateable values and, in particular, the successful backdated appeal by Virgin Media, the largest valued business in Tewkesbury. The final pool position for 2014/15 published a deficit of £2.3m following a safety net payment to Tewkesbury of £3.9m.
- 4.13** The on-going issue with Virgin Media relates to their request for a single listing. They are currently listed with 68 different councils. Following meetings with the DCLG and the LGA, it was made clear that this will not be resolved quickly. Further information is needed from Virgin Media in order for the Valuation Office to consider the matter and due to the size, complexity and potential impact for many councils and the DCLG, it is unlikely to be resolved this financial year. However, there is a small risk that the Virgin Media issue may be fast tracked and resolved this financial year which would have a serious impact on the Gloucestershire business rates pool.
- 4.14** The Chief Finance Officers agreed to look at the composition of the pool and determine whether the amount of business rates retained in Gloucestershire could be maximised by having fewer members in the pool and lowering the levy rate. Modelling of the potential business rates income in 2016/17 indicates that the Council is still above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in the Council still being liable to a 'levy'.
- 4.15** Taking the above into account, it was agreed that this Council would benefit from remaining in the pool in 2016/17 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements. For 2016/17, the Gloucestershire pool has been reconstituted to include Gloucestershire County Council and all of the District/Borough Councils with the exception of Tewkesbury Borough Council.
- 4.16** One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Department for Communities and Local Government. The NNDR1 return was submitted to the Department of Communities and Local Government (DCLG) by the deadline of 31st January 2016 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £769,153. However, due to temporary retail closures arising from town centre redevelopments, the Virgin Media issue and the large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health/medical centres (which are backdated several years), deficit adjustments need to be made from previous years to the value of £1,029,503.
- 4.17** It is therefore appropriate and necessary to support the 2016/17 budget proposals with a contribution from the BRR reserve which has been built up over the last two financial years to deal with these issues.

| | 2016/17 £ |
|--|----------------------|
| Estimate of retained business rates per NNDR1 | 22,335,990 |
| Tariff to government | (19,238,881) |
| Grant to compensate for government decisions (e.g. Small business rate relief and Localism Act reliefs) | 530,574 |

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| Estimated levy payable to government after pool adjustment | (258,640) |
| Net retained business rates | 3,369,043 |
| Less Baseline Funding (Cheltenham BC Target level of retained business rates) | (2,599,890) |
| Net surplus on business rates in 2016/17 against baseline funding | 769,153 |
| Deficit adjustment in respect of 2014/15 (one-off) | (220,026) |
| Deficit adjustment in respect of 2015/16 (one-off estimated) | (809,477) |
| Additional one-off adjustments in respect of previous years surpluses from retained business rates | (1,029,503) |
| Net retained business rates (after one-off deficit adjustments) | 2,339,540 |

- 4.18** The move to local business rates retention would appear to be a positive one, but local authorities have faced a series of obstacles in trying to make it a success. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, although it is nearly three years since business rates retention was introduced and the rules are still changing.
- 4.19** Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates. Large appeals and RV reductions from other public sector organisations are undermining local government's ability to make business rates retention a success.

New Homes Bonus (NHB)

- 4.20** The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provides £1,484 for each new property for six years (based on national average for band D property – i.e. £8,900 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 4.21** Funding is not ring-fenced and is designed to allow the benefits of growth to be returned to communities. Funding is split 80:20 between district and county authorities, although it is now recognised that the funding from this scheme comes from top sliced Revenue Support Grant (RSG), which has been reduced significantly to compensate for the NHB payments.
- 4.22** The Government has announced the allocation of NHB Grant for 2016/17. For this Council, NHB Grant will increase by £546,476 from £1,605,685 to £2,152,161. The grant recognises net growth in the Council Tax base of 444 properties between October 2014 and October 2015 and the development of 40 affordable housing units
- 4.23** The Government is proposing to make changes to the New Homes Bonus and has published a consultation document "New Homes Bonus: Sharpening the Incentive". The Consultation document has been prepared in the context of the outcome of the 2015 Spending Review. This confirmed the intention to move to full retention of business rates by 2020 and a preferred option for savings of at least £800 million in New Homes Bonus, to be used to fund social care. The consultation seeks views on the options to change two aspects of the New Homes Bonus.
- Reducing costs by moving payment of the bonus from 6 years to 4 years;
 - Reform of the bonus to reflect local authorities' performance on housing growth, linking payment of grant to production of the Local Plan, reducing payments for housing built on appeal and/or only making payments for delivery above a baseline.

- 4.24** The deadline for responses is 10th March 2016 and Officers are preparing a response in consultation with the Leader of the Council.

Parish Council Support Grant

- 4.25** The Local Council Tax Support (LCTS) scheme operates in a similar way to discounts, such as for empty properties or single person occupiers. Rather than being accounted for as a benefit cash payment, the council tax base is reduced. Whilst this has no impact for the individual council tax payer, a lower council tax base reduces the tax yield to this Council, Gloucestershire County Council, Gloucestershire Police Authority and town and parish Councils. To offset this impact, the Government pays a cash grant to all local authorities. The element of grant attributable to town and parish councils is paid to the billing authority (i.e. this Council). It is for each billing authority to agree with its town and parish councils any mechanism for paying over a share of the overall grant paid to the billing authority.

For 2013/14 through to 2015/16, the value of grant awarded to the 5 parish councils for LCTS was £10,269. Funding for Local Council Tax Support has been “rolled in” to the Revenue Support Grant and the Retained Business Rates Baseline Funding Position. As Government funding reduces, the Council will be under pressure to reduce the funding available for Local Council Tax Support available to town and parish councils. However, in order to give parish councils a degree of financial stability and give them the assurance they need to set their own precepts, once again it is not proposed to pass on any reductions in 2016/17.

Council Tax

- 4.26** The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as an excessive council tax increase and to set limits. Any council that wishes to raise its council tax above the limit has to hold a referendum, the result of which will be binding. The proposed limit for 2016/17 has been announced at 2%.
- 4.27** For the past five years the Council has frozen its council tax precept at £187.12 a year for a Band D taxpayer, which was first set in 2010. In freezing its share of council tax for this unprecedented length of time, the Cabinet has borne in mind the difficult economic and financial climate that many of our residents face. However, during the period of the freeze our own financial position as a Council has deteriorated sharply. Our core Government funding has been cut by more than 65%, with further large cuts to come. In addition, inflation and pension deficits have continued to affect many areas of the Council's costs.
- 4.28** Since the borough share of council tax was last increased, CPI inflation has been of the order of 13%. We are currently going through a period of extremely low inflation, with CPI inflation being 0.0% in September 2015, well below the Monetary Policy Committee's (MPC) 2% target. However, this is likely to be relatively short-lived, with inflation projected to rise as past falls in energy prices begin to drop out of the annual comparison. The MPC judges that it is currently appropriate to set policy based on a likelihood that inflation will return to the 2% target within two years.
- 4.29** However, consumer price inflation is not a particularly useful guide to what is happening to the Council's costs. The most significant cost to this Council is in respect of its employee related costs – and in this area of expenditure, some very considerable cost increases are on the way. Pay awards are assumed to be in the region of 1% per annum, employer pension contributions are increasing by £406k cumulatively per annum, and employer national insurance contributions will increase by 3.4% as a result of the creation of the single tier state pension and the end of contracting out of the second state pension.

- 4.30** With this in mind, the Cabinet has had to consider whether a further freeze in council tax is sustainable, or whether it will act against the interests of local residents by creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.31** The uncertainty surrounding the future of New Homes Bonus, which represents a significant proportion of our income, and the actual final local government settlement which is not likely to be announced until February 2016, could place a number of our discretionary services at risk.
- 4.32** Therefore, the Cabinet is proposing a 1.99% increase in council tax in 2016/17; an increase of £3.72 for the year for a Band D property.

Collection Fund

- 4.33** In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2015/16 is £163,800 which will be credited to the General Fund in 2016/17. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

5. Unavoidable budget pressures

- 5.1** In addition to funding pressures from cuts to Government funding, the Council is also facing costs pressure from the triennial valuation of the Gloucestershire Local Government Pension Scheme. The Council has made provision for growth in contributions to the Pension Fund of £406,000 for each of the next three years (2016/17 to 2018/19). The next valuation is due to take place in March 2016 and will set the contribution rates for the period 2017/18 – 2019/20.
- 5.2** The creation of the single tier state pension, and the end of contracting out of the second state pension, will negatively impact on employers providing defined benefit pension schemes (such as the Local Government Pensions Scheme). Currently, provided that such Pension Schemes meet statutory requirements, employers pay a reduced National Insurance (NI) contribution - the reduction is 3.4%. The introduction of the single tier pension will have the effect of increasing an employer's NI contributions by the amount the current reduction - 3.4%. Provision for increased employer NI contributions with effect from 2016/17 has been included within the budget proposals at a cost of £217,400.
- 5.3** Since 2013, the grant received from central government to fund the administration costs of the Housing Benefit and Local Council Tax Support services has been reduced by £235,000 of which £89,500 is proposed in 2016/17. £58,000 of this cut related to the introduction of the Single Fraud Investigation Service which saw responsibility for the investigation of housing benefit fraud pass from local government to the Department for Works and Pensions (DWP). Other reductions have been a result of the DWP passing on its departmental savings targets to local government.

6. The Cabinet's general approach to the 2016/17 budget

- 6.1** In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs whilst also protecting frontline services.
- 6.2** The Cabinet's budget strategy for 2016/17, approved at a meeting on 13th October 2015, included an estimate of £1.825m for the 2016/17 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 5.9% cut in government support. These assumptions were used to support the interim budget proposals, and based on the detailed budget preparation undertaken in

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November 2015, assumed a revised budget gap of £1.833m.

6.3 The final assessment of the budget gap for 2016/17, based on the detailed budget preparation and the assumed financial settlement is £1.881m which takes into account the following variations:

- Additional cut in RSG of £506k which represents a 17.4% reduction in its Settlement Funding Assessment
- Business rates adjustments including planned use of BRR reserve £203K
- Additional income raised through an increased collection fund surplus £14k
- Additional off-street car parking income £40k
- Use of car parking equalisation reserve £200k

6.4 The key aims in developing the approach to the budget were to:

- Do everything possible to protect frontline services with a modest increase in council tax
- Identify savings that can be achieved through reorganisation of service delivery or raising additional income rather than through service cuts.

Following the provisional grant settlement in December 2015 the search for efficiency savings and additional income was intensified and the 2015/16 budget was scrutinised to identify savings and additional income that could be used to strengthen the Council's reserves.

6.5 In preparing the 2016/17 budget proposals, the Cabinet and officers have:

- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The full list of proposals for growth, including one off initiatives, is included in Appendix 4.
- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
- Budgeted for pay inflation at 1% for 2016/17.
- Budgeted for an increase in Members allowances of 1% for 2016/17 as detailed in Section 9.
- Increased income budgets assuming an average increase in fees and charges of 2.0%, with some exceptions. The Cabinet proposes to freeze car park charges for the sixth year running and (see section 8 below) also to leave green waste charges unchanged.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

6.6 As in previous years, the budget for the coming year is the result of a great deal of activity and hard work by officers and members throughout the year. The Cabinet has worked with officers to develop a longer term strategy for closing the funding gap and this is monitored regularly through the Bridging the Gap (BtG) programme. The Cabinet's final budget proposals for closing the budget gap in 2016/17, which are the result of this work, are detailed in Appendix 5.

6.7 The Bridging the Gap programme and the commissioning process have helped the Council to move towards a robust five-year strategy for closing the funding gap. The work done on leisure and culture services, shared services with our 2020 partner councils, management restructuring and the accommodation strategy, as well as a number of smaller pieces of work, give the Council the opportunity to think ahead over a period of several years, rather than planning its budgets a year at a time.

- 6.8** This budget proposes to make fuller use of the New Homes Bonus to support the revenue budget. However, in view of current uncertainties we have limited the amount of New Homes Bonus income being directly taken into the revenue budget to a total of £1.750m, which is 81% of the total expected income in 2016/17 of £2.152m. It is proposed that the remainder should be earmarked for one off or time-limited spending, kept in reserve or put towards this Council's contribution to the 2020 Vision Programme as agreed in February 2015.
- 6.9** The proposed one-off uses of New Homes Bonus income include: £30k to support the well-liked and very effective Community Pride grant scheme.
- 6.10** In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. The new reserve will also secure the Council against the challenges which we know we will encounter in the coming year.
- 6.11** Some of the challenges the Council faces are essentially short-term. One of these is a one-off drop in business rates income estimated at £285k in 2016/17 due to redevelopment, with income levels recovering as development goes 'live' in 2017/18 and 2018/19. Another is the delay in securing car park income of £350k a year from the North Place development, which we expect to be resolved by the end of 2016. These short-term challenges require a short-term response and it is therefore the Cabinet's intention to meet the projected shortfall in 2016/17 from the budget strategy (support) reserve rather than by cuts in services or increases in charges which would have a long-term impact.
- 6.12** In addition, the unexpectedly large reduction in revenue support grant announced in December 2015 creates a challenge for the Council which it will take time to resolve. For this reason, the final budget follows a strategy of building up reserves in order to cushion the impact of the grant reduction in 2016/17 and 2017/18, allowing time to find sustainable savings with the least possible impact on services.
- 6.13** In all it is proposed that £399,937 should be deployed from the budget strategy (support) reserve to support the 2016/17 revenue budget. The projected level of this reserve at 31st March 2016 is £0.737m and this will give the Council time to deliver its strategy for delivering substantial savings over the next 4 year period.

7. Longer Term Strategy

- 7.1** The Government's policy of phasing out revenue support grant and in due course allowing councils to benefit from a higher share of business rates creates a need for this Council to develop a long-term strategy which is significantly different from that followed in past years. Since 2013 the Council has had a direct financial interest in economic and business growth in the town, and will have a larger stake in it under the Government's proposals for reforming business rates.
- 7.2** In responding to this emerging reality, the Cabinet has given a high priority to spending that will support the local economy. That is why this budget proposes to reaffirm this Council's financial support for the Business Improvement District; to allocate funding to develop and start to implement the emerging Tourism Strategy; and to provide additional funding so that the Joint Core Strategy process can be completed and a framework developed for the Community Infrastructure Levy. Attention has also been paid to the need for the town to be as welcoming and attractive as we can make it; and a sum of £50,000 has been allocated to carry out an intensive clean of the town centre and a number of key out-of-centre locations.
- 7.3** The sharp reduction in Government funding which is clearly going to take place in the coming years also places more onus on the Council to generate more of its own income through its property portfolio. The acquisition of Delta Place is already delivering £100,000 a year over and

above the costs of purchase. The Shopfitters site, together with the neighbouring Synagogue Lane and Chelt Walk sites, constitute a town centre site with considerable development potential in the medium and long term. The Council needs to be vigilant for other opportunities to generate property income, both by making the best use of its existing portfolio and by looking for other strategic acquisitions.

8. Car parking charges

- 8.1 The very healthy level of car park income in the current financial year has given the Cabinet greater confidence in approaching the subject of car park charges. Despite the increased pressure on the Council's finances since the draft budget was published, the Cabinet is therefore proposing to stick to its previous proposal to freeze car parking charges at their 2010 level for a further year.
- 8.2 Members will be aware that a cabinet member working group is reviewing car parking as a whole in the town. However, the Cabinet is of the view that abolishing car park charges in council car parks after 6pm at night would be a considerable benefit to the local economy and environment and would be affordable even in the current straitened financial circumstances. It could be implemented as a stand-alone proposal without prejudicing the review as a whole. This proposal is therefore incorporated in the final budget proposals.

9. Members' Allowances

- 9.1 The Independent Remuneration Panel (IRP) carried out a 4 yearly full review of Members Allowances in 2014 as required under the regulations. At its meeting in December 2014, Council accepted the IRP recommendation to increase the Basic Allowance by 1% from April 2015. They decided that this should not be applied to SRAs which remained at their 2014/15 levels. Under the terms of the Members' Allowance scheme the chair of the IRP will be consulted each year to review the need for the panel to meet. If there are no significant issues to review, the recommendations from the IRP to Council should by default be that "all allowances should be increased by the % increase in the median gross weekly earnings for the South West published in the Annual Survey of Hours and Earnings in November".
- 9.2 The chair of the Panel confirmed by email on 13 November that as there were no significant issues for the panel to review there was no need for a meeting. Therefore by default the IRP recommendation is that the basic allowance and all SRAs should be increased by 1.5%.
- 9.3 If Council wished to apply the 1.5% to all basic allowances and SRAs as recommended by the IRP then the proposed allowances are detailed in the following table. Council will need to confirm whether they also want this percentage increase to be applied to the Mayoral allowances which do not form a part of the Members Allowances Scheme but are reviewed by the IRP on a regular basis. The table below includes a fourth column which details the allowances if Council wished to continue to freeze SRAs and apply the increase to the basic allowance only.

| ROLE | ALLOWANCES | | |
|--|-------------------|--|--|
| | Current Allowance | Proposed 1.5% increase from April 2016 | Proposed 1.5% increase from April 2016 in Basic allowance only |
| Basic Allowances(*40) | 208,680 | 211,810 | 211,810 |
| SRAS | 106,636 | 108,236 | 106,636 |
| Civic Allowances | 7,932 | 8,651 | 7,932 |
| Total Allowances | 323,248 | 328,697 | 326,378 |
| Total increase in allowances for 2016/17 | | 5,449 | 3,130 |

- 9.4 If Council wished to apply the same 1% increase that is budgeted for staff the figures would be as follows.

| ROLE | ALLOWANCES | | |
|----------------------------------|-------------------|--------------------------------------|--|
| | Current Allowance | Proposed 1% increase from April 2016 | Proposed 1% increase from April 2016 in Basic allowance only |
| Basic Allowances (*40) | 208,680 | 210,767 | 210,767 |
| SRAS | 106,636 | 107,702 | 106,636 |
| Civic Allowances | 7,932 | 8,611 | 7,932 |
| Total Allowances | 323,248 | 327,080 | 325,335 |
| Total increase in 2016/17 | | 3,832 | 2,087 |

- 9.5 Cabinet propose that all allowances are increased by 1% in line with what is proposed for staff.

10. Treasury Management

- 10.1 Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 10.2 The latest forecast from our Treasury Advisors includes a first increase in the Bank Rate in quarter 2 or 3 of 2016 although it is recognised that events outside our control could result in a delay in any Bank Rate increase. With this in mind, the budget has been framed on the assumption that the interest received in 2016/17 will be broadly consistent with that now projected for 2015/16.

11. Local Council Tax Support scheme for 2016/17

- 11.1 On 13th October 2014, the Council decided to keep the local scheme for working age customers unchanged for 2015/16 and 2016/17, other than the annual uprating of premiums, allowances, non-dependent deductions and any changes to the national pension scheme that need to be reflected in the local working age scheme.
- 11.2 For 2016/17 there are two changes outside of uprating which need to be considered for inclusion in the 2016/17 local scheme for working age customers, one of which is also a change in the national pension scheme for council tax support.
- 11.3 The first change is to reduce the time limit for backdating a claim from six months to one month where 'continuous good cause' has been shown for not contacting us at the correct time. This change would be to fall in line with the Housing Benefit scheme which is paid at the same time as council tax support, if someone also needs help with their rent. Between April and October this year, we had 10 council tax support cases which were backdated over one month.
- 11.4 The second change is the removal of the "family premium" from 1st May 2016 for new working age customers with children claiming council tax support; or for existing customers who become responsible for a child for the first time. Again this change would be to fall in line with the Housing Benefit scheme and the national pensioner scheme for Council Tax Support.
- 11.5 The family premium is one of a number of premiums, which are added together to make up a

family's maximum award in council tax support and if their income is above this figure, they have to make a contribution to their council tax on a sliding scale. If it were to be removed from the council tax support scheme, we would still award premiums for each child, personal allowances for the customer being a lone parent or couple, and disability premiums for those who are disabled. In addition, customers on Universal Credit, Income Support, income related Employment & Support Allowance or Income based Job Seekers Allowance would still receive maximum support.

- 11.6** However, the family premium is £17.45 per week and if this were removed from the local council tax support scheme, new customers might have to pay up to an extra £3.49 per week if their total income is above the new maximum award for their family circumstances.
- 11.7** There are conflicting considerations in deciding whether to incorporate the changes into council tax support. Up to now, the Council has prided itself on protecting the council tax support scheme from Government cuts. Clearly the removal of family premium would impact on some of the poorest people in the community. On the other hand it will complicate the administration of benefits and involve additional software costs if the removal of the family premium is not adopted, as it will result in us having to treat council tax support and Housing Benefit differently when a family makes a joint claim for both benefits.
- 11.8** On careful consideration, the Cabinet has decided not to recommend to Council that the Housing Benefit changes in respect of backdating and family premium are incorporated into the local council tax support scheme. However the council tax support scheme may need to be reviewed in a year's time when it is expected that the Government will announce further changes

12. Reserves

- 12.1** Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides".
- 12.2** As detailed in paragraph 1.2 above, under the new regime, around 67% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. The budget monitoring report to December 2015 details the volatility in this area surrounding appeals and rate reductions. As a consequence the Council has been able to substantially increase the BRR reserve in 2015/16 which will be used to support the budget proposals in 2016/17 to help offset the appeals provision and one-off drop in business rates in 2016/17.
- 12.3** As detailed in the budget monitoring report to December 2015, the Council had intended to fund £337,800 of car parking income in 2015/16 from its Car Parking Equalisation Reserve which was set up to cover the shortfall in car parking income arising from the delay between North Place Car Park closing for redevelopment and the developers, Augur Buchler, returning a 300 space public car park to the Council. However, based on the current forecasts this will be reduced to allow £330k to remain in the Car Parking Equalisation Reserve which will provide a cushion for future fluctuations in car parking revenue. It is intended to use £200,000 from this reserve to support the 2016/17 budget proposals – a prudent measure to safeguard the Council's finances in the event that the increased car parking income achieved in 2015/16 is not sustained in the coming year.
- 12.4** A projection of the level of reserves to be held at 31st March 2016 and 31st March 2017 respectively is detailed in Appendix 6.

13. Capital Programme

- 13.1** The proposed capital programme for the period 2015/16 to 2019/20 is at Appendix 7.

13.2 The strategy for the use of its capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from the Civic Pride reserve and capital receipts and the construction of new homes through Cheltenham Borough Homes. It also includes the allocations agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall and the Crematorium, the purchase of Delta Place and the Shopfitters site, a new play facility at Pittville Park and an earmarked contribution to public realm works at Boots Corner.

14. Property Maintenance Programmes

14.1 The budget proposals include a revenue contribution of £600k to planned maintenance, which will be enough to fund a substantial programme. The programme has been reviewed by the Asset Management Working Group and is detailed at Appendix 8.

15. Pay Policy Statement

15.1 Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.

15.2 The Pay Policy attached at Appendix 9 includes the following key requirements of the Localism Act 2011:

- policy on pay for each of the 'in scope' Officers;
- policy on the relationship between Chief Officers and other Officers;
- policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

16. Reasons for recommendations

16.1 As outlined in the report.

17. Consultation and feedback

17.1 The formal budget consultation on the detailed interim budget proposals took place over the period 16th December 2015 to 20th January 2016. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed.

17.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 5th January 2016 and comments have been fed back to the Cabinet.

17.3 The Cabinet has used the budget consultation to engage the residents of Cheltenham and the results of this consultation are contained in Appendix 10.

17.4 A summary of the budget consultation responses and the Cabinet's response to them in arriving at the final budget proposals, are contained in Appendix 10. A copy of the detailed responses is

available in the Members' room.

18. Supplementary Estimates

- 18.1** Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2016/17 to be met from the General Reserve, the same level as in 2015/16.

19. Alternative budget proposals

- 19.1** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Section 151 Officer (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly captured.
- 19.2** It is also important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

20. Final budget proposals and Council approval

- 20.1** The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.
- 20.2** If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.
- 20.3** An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Section 151 Officer in writing within 5 working days that he objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.
- 20.4** In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

21. Performance management – monitoring and review

- 21.1** The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from delivery of services

to delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.

21.2 The delivery of the savings workstreams included in the interim budget proposals, if approved by full Council, will be monitored by the BtG group.

| | |
|-------------------------------|--|
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| Appendices | <ol style="list-style-type: none"> 1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Growth 5. Savings / additional income 6. Projection of reserves 7. Capital programme 8. Programmed Maintenance programme 9. Pay Policy Statement 10. Summary of budget consultation and Cabinet response |
| Background information | <ol style="list-style-type: none"> 1. Budget strategy and process report 2016/17 and MTFs 2015/16 to 2019/20 (Cabinet 13th October 2015) 2. Budget Monitoring Report 2015/16 position as at December 2015 (Cabinet 9^h February 2016) |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | |
|-----------|--|------------|------------------|---|---|-------|---------------|---|-----------|-----------------------|------------------------------|
| Risk ref. | Risk description | Risk Owner | Date raised | I | L | Score | Control | Action | Deadline | Responsible Officer | Transferred to risk register |
| CR3 | If the Council is unable to come up with long term solutions which bridge the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision. | Cabinet | 15 December 2010 | 5 | 3 | 15 | R | The budget strategy projection includes 'targets' for work streams to close the funding gap which now includes the 2020 Vision savings and a target for the new MD of Place & Economic Development. In addition there is a further target from the Accommodation Strategy. This is monitored monthly by the Senior Leadership Team. | Ongoing | Chief Finance Officer | 26 January 2011 |
| 1.01 | If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the Council's Medium Term Financial Strategy. | Cabinet | October 2015 | 3 | 3 | 9 | Reduce | In preparing the budget for 2016/17 and in ongoing budget monitoring, consideration will be given to the use of fortuitous windfalls and potential future under spends with a view of strengthening reserves whenever possible. | June 2016 | Chief Finance Officer | |

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|------|--|-----------------------|---------------------------------|---|---|---|------------------|--|---------------------------------------|------------|--|
| 1.02 | If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business and the constrained ability to grow the business rates in the town then the budget gap may increase. | Chief Finance Officer | 14 th September 2012 | 4 | 2 | 8 | Accept & Monitor | <p>The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p> <p>The MD of Place & Economic Development is tasked with delivering against a £500k target through economic growth by 2019/20.</p> | Ongoing Ongoing Ongoing | Paul Jones | |
| 1.03 | If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year. | Chief Finance Officer | 15 December 2010 | 3 | 3 | 9 | R | Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. A | Ongoing | Paul Jones | |

| | | | | | | | | | | | |
|------|--|------------------------|------------------|---|---|---|---|--|---------|--|--|
| | | | | | | | | reserve is in place to manage to potential impact of the temporary closure of North Place car park. | | | |
| 1.04 | If when developing a longer term strategy to meet the MTFS, the Council does not make the public aware of its financial position and clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease. | Director of Resources | 15 December 2010 | 3 | 3 | 9 | R | As part of the delivery of the BtG / commissioning programmes a clear communication strategy is in place. In adopting a commissioning culture the council is basing decisions on customer outcomes which should address satisfaction levels. | Ongoing | Communications team to support the BTG programme | |
| 1.05 | If there is a reliance on shared services delivering savings and these savings do not materialise or shared service projects do not proceed as anticipated then other savings will need to be found to meet the MTFS projections. | Deputy Chief Executive | 15 December 2010 | 3 | 3 | 9 | R | All shared services initiatives adopt sound project management guidelines with clear business case and risk logs to be developed. Savings / Benefit realisation plans are reviewed. | Ongoing | Paul Jones | |
| 1.06 | If the Council does not carefully manage the commissioning of services then it may not have the flexibility to make additional savings in the MTFS and a greater burden of savings may fall on the retained organisation | Deputy Chief Executive | 15 December 2010 | 3 | 3 | 9 | R | Contracts, SLAs and other shared service agreements will need to be drafted and negotiated to ensure that there is sufficient flexibility with regards to budget requirements | Ongoing | Paul Jones | |

| | | | | | | | | | | | |
|------|---|-----------------------|------------------|---|---|----|---|--|---------|------------|--|
| 1.07 | If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams. | Chief Finance Officer | 13 December 2012 | 4 | 3 | 12 | R | Work with GOSS and county wide CFO's to monitor changes to local government financing regime including post 2015 election changes and adjust future budgets for any significant variances. | Ongoing | Paul Jones | |
|------|---|-----------------------|------------------|---|---|----|---|--|---------|------------|--|

**STATEMENT OF THE SECTION 151 OFFICER UNDER THE REQUIREMENTS OF
SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003**

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES 2016/2017

1. INTRODUCTION

The Local Government Act 2003 Section 25 includes a specific duty on the Chief Financial Officer (Section 151 Officer) to make a report to the authority when it is considering its annual budget and council tax levels. 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' includes 'general fund balances'.) The Act requires the Council to have regard to the report in making its decisions at the Council's budget and council tax setting meeting in respect of 2016/17.

In making this report I have considered the risks arising from it, outlined below, and the Council's mitigating actions in arriving at my conclusions which, in summary are:

- Supplies and services and staffing budgets are sufficient to maintain services as planned.
- Budgeting assumptions for treasury management activity reflect the impact of sustained low interest rates.
- The approach to budgeting for income is prudent.
- The approach taken to using the New Homes Bonus to support the base revenue budget is prudent.
- The proposal to increase council tax is required to ensure the viability of this Council in future years without having to make significant cuts to front-line services.
- The medium term financial planning assumptions, including future cuts in government support, are prudent and the continued development and revision of the budget strategy for bridging the projected budget gap is providing a planned and measured approach to meeting future financial challenges.
- The approach to financing maintenance is acceptable. Looking ahead, the need to model and prioritise future investment aspirations will become critical if the Council is to meet some of the targets within the Medium Term Financial Strategy (MTFS).
- The level of reserves, including General Balances, is satisfactory.

2. ROBUSTNESS OF ESTIMATES

Budget estimates are assessments of spending and income made at a point in time, based on service needs and known expenditure patterns. The statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but

gives members reasonable assurances that the budget has been based on the best available information and assumptions.

In order to meet the requirement of assessing the robustness of estimates the Section 151 Officer will consider and rely upon the key processes that have been put in place:

- the issuing of clear guidance to Service Managers on preparing budgets through the annual budget strategy report;
- peer review by GO Shared Services finance staff involved in preparing the standstill base-budget, i.e. the existing budget plus contractual inflation;
- the use of in-year budget monitoring to re-align budgets in line with projected changes for 2016/2017;
- a medium term planning process that highlights priority services;
- a review of the corporate risk register;
- a service review by the Cabinet, Senior Leadership Team and Service Managers of detailed budget and proposed savings and their achievability; and
- GO Shared Services finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

Notwithstanding these arrangements that are designed to test the budget throughout its various stages of development, considerable reliance is placed on Service Managers having proper arrangements in place to identify issues, project demand data, to consider value for money and efficiency and record key risks within their operational risk register.

The table below identifies assumptions made during the budget process and comments upon the risks and decisions taken when preparing the budget.

| Budget Assumption | Financial Standing and Management |
|---|--|
| 1. The treatment of demand led pressures. | Service Managers will be expected to manage changes within their budgets by re-prioritising or by taking steps to reduce expenditure where income streams decrease significantly. Where this is not possible it will be necessary to use the working balance or earmarked reserves on the understanding that they may need to be restored in future years. |

| Budget Assumption | Financial Standing and Management |
|--|---|
| <p>2. The treatment of inflation and interest rates.</p> | <p>The following assumptions have been made in the preparation of the Medium Term Finance Plan in respect of inflationary pressures:</p> <ul style="list-style-type: none"> • Pay awards are modelled at 1% per annum from 2016/17. • Employer's Superannuation contributions – agreed until 2017 but assumed to increase by £406k per annum through to 2019/20. Future uncertainty in the economy / fund performance and lack of clarity over the full impact of pension changes and local commissioning of services may increase pension fund deficits although budgeting assumptions follow actuarial advice. Additional work is being undertaken to model the impact of commissioning decisions on the pension fund and savings assumptions are being reviewed. The move towards budgeting for fixed annual contributions (as opposed to a % of pay) will mitigate the cash-flow position in the longer term. • Contract inflation has been allowed for at the appropriate contractual rate • In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain service levels. In-year increases will need to be managed. • The Council provides a number of demand led services e.g. green waste collection, car parking, building control charges, etc. The estimates for 2016/17 have been prepared on the advice of officers who have taken a professional view on income levels, based on their opinion about the local economic conditions. Income from fees and charges have generally been increased by 2.0% where legislation permits unless Service Managers can demonstrate that targets can be achieved through increased demand e.g. green waste collection. • On 8th July 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years. This will result in an estimated loss of rental income of £6.691m in the period to 31st March 2020. • Despite historic significant investment returns, the treasury management budgets are based on sustained low interest rates and no increase is factored into the MTFs. The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its policy and strategy statements annually. The Investment Strategy is reviewed annually to ensure security of public money. Following the banking crisis, our treasury advisors continue to advise the Council and Treasury Management Panel on policy. <p>Risks around inflation and interest rate variations have been built into my assessment of the budget. In-year increases will need to be managed but may need to be funded from General Balances and subsequently be built into base budget in future years.</p> <p>The recommended minimum HRA revenue reserve to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £3.243m at 31st March 2019 which is deemed sufficient to cover the impact of the changes in Housing and Welfare Policy over the medium term.</p> |
| <p>3. Estimates of the level and timing of capital receipts.</p> | <p>No major capital receipts are anticipated that would affect the planned capital expenditure in 2016/2017, or in later years of the MTFs.</p> |
| <p>4. The treatment of efficiency savings/ productivity gains.</p> | <p>The majority of savings proposals for 2016/2017 are already in progress and no identified slippage has been identified. This should not undermine our ability to keep expenditure within budget in 2016/17.</p> |

| Budget Assumption | Financial Standing and Management |
|-------------------------------|--|
| <p>5. Government support.</p> | <p>The following assumptions have been made in the preparation of the Medium Term Financial projections in respect of Government support:</p> <ul style="list-style-type: none"> • The estimates for 2016/17 are based on the provisional financial settlement notified by the Department for Communities and Local Government (DCLG) in December 2015. The final settlement is expected to be announced in February 2016 and any significant differences will be reported to Full Council on 12th February 2016. • The medium term financial projections reflect the proposed reductions in Revenue Support Grant (RSG) as it is top-sliced to fund the growth in the New Homes Bonus (NHB). • The budget assumes an increased use of New Homes Bonus (NHB) to £1.750m to support the revenue budget in 2016/17. The potential growth of income from the NHB, and the fact that it is being top-sliced from the RSG, means that the Council has little alternative but to regard this money as an important part of its income stream and is therefore assumed to be base funding across the period of the MTFS. The value of NHB across the MTFS is capped at £2.1m to help mitigate the risk of a dramatic fall in the level of housing development across the district although this may need to be reconsidered once we are aware of the outcome of the Government consultation on the future of NHB. • The budget for 2016/17 includes assumptions for business rates based on estimates of collection rates, bad debts, appeals, reliefs (mandatory and discretionary) and assumed government share and levy rates. The medium term financial projections make no provision for the impact of future changes in the mechanism for operating local business rates retention but this budget uses a reserve to help mitigate the risk of any future fluctuations from previous years' one-off deficits. <p>Despite the uncertainty over future government funding, I am comfortable that the Council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and NHB receipts.</p> |

| Budget Assumption | Financial Standing and Management |
|--|---|
| <p>6. Proposed level of council tax.</p> | <p>In setting the level of council tax, Members need to be mindful of the impact of the decision on the MTFs and future funding gaps. Members also need to acknowledge that the Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific increase (2% in 2016/17).</p> <p>For the past five years the Council has frozen its council tax precept at £187.12 a year for a Band D taxpayer. In proposing this course of action, the Council has borne in mind the difficult economic and financial climate that many of our residents face. However, during the period of the freeze our funding from Central Government has deteriorated sharply, and the Council needs to be aware of the difficulty of continuing the freeze beyond 2015/16. The MTFs projections assume a council tax increase of 1.99% per annum from 2016/17.</p> <p>Council tax is the main source of locally-raised income for this authority and has previously been referred to by DCLG as ‘an important source of funding which is used to meet the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants.’ Whilst I can endorse this statement from DCLG it is difficult to realise with a 2% referendum cap in place.</p> <p>In previous financial settlements the Government stated that the freeze grant will be rolled into the spending review baseline. This was interpreted as a commitment to the funding being available for future years to ensure councils continue to be fully compensated for not increasing council taxes in previous years. Although the previous years’ council tax freeze grants are included within the settlement, these grants will then be effectively removed through the phasing out of RSG and significantly reduced NHB allocations in future years. Had the Council known these grants would be so reduced it is ‘possible’ it would have decided to forego them, instead increasing council tax and thereby guaranteeing that level of funding for future years. Had the Council increased council tax by 1% per annum for the last 5 years it would now benefit from circa £400k additional income within its base budget.</p> <p>There appears to be an important shift in the Government’s principles, most noticeably, the shift away from freezing council tax to using council tax to generate additional funding. Given that this budget relies on the use of reserves to generate a balanced budget in 2016/17, I am of the opinion that council tax cannot be frozen for a sixth consecutive year for the reasons outlined above as it would carry significant risks in future years. I am therefore minded to support a council tax increase of 1.99% as this will avoid the requirement for a referendum (cost c£50k) for council tax increases over the government cap of 2%.</p> |

| Budget Assumption | Financial Standing and Management |
|--|---|
| <p>7. Medium Term Financial Strategy (MTFS) – the strategy for closing the projected funding gap.</p> | <p>Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority’s future revenue and capital programme.</p> <p>The 2016/17 budget includes medium term financial projections of the projected funding gap over the next 3 years. The budget strategy and process report (reported to Cabinet 13th October 2015) outlines the strategy for closing the funding gap which includes savings targets rather than necessarily specific worked up projections of cost savings and includes further shared services; asset management reviews; future waste initiatives and savings targets for commissioning reviews.</p> <p>The Council has traditionally provided ‘one off’ funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or earmarked reserves.</p> <p>The Council’s approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap and is effectively scrutinised.</p> |
| <p>8. The authority’s capacity to manage in-year budget pressures.</p> | <p>The authority has proven its ability to manage in-year budget pressures with no recorded overspends in recent years. Improvements to our Devolved Budgetary Control scheme have improved our management of cash limited budgets. During the last two financial years the Senior Leadership Team has taken in-year action to prevent potential overspends.</p> |
| <p>9. The strength of the financial information and reporting arrangements.</p> | <p>The Council has strong internal and external reporting standards. Quarterly management reports are made to the Cabinet and Senior Leadership Team. These procedures have allowed firm management of any projected overspends (see 8 above). These reports have been enhanced with detailed financial commentary and clear direction with regards to in-year virements which aids transparency and full scrutiny.</p> |
| <p>10. The authority’s virement and end of year procedures in relation to budget under/overspends at authority and departmental level.</p> | <p>The Council’s virement and carry forward rules are clear. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council’s Devolved Budgetary Control scheme gives managers flexibility to manage budget variations within their services. Service overspends may be clawed back from future budgets.</p> |
| <p>11. The adequacy of the authority’s insurance arrangements to cover major unforeseen risks.</p> | <p>The Council’s insurance arrangements are considered adequate. The Council does self-insure and has reserves to meet any excesses relating to claims. No uninsured risks have been identified.</p> |
| <p>12. The approach to financing the maintenance programme.</p> | <p>The Council has £600k built into the base revenue budget to fund the annual maintenance budget of the property portfolio. The maintenance schedule of planned commitments has been established to 2018/19 and will be reviewed by the Asset Management Working Group on an annual basis.</p> |

Given consideration of the above factors and the detailed scrutiny of the budgets that has been undertaken this year I can give positive assurance on the robustness of the budget estimates.

3. ADEQUACY OF RESERVES AND BALANCES

The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Within the statutory and regulatory framework it is the responsibility of the Section 151 Officer to advise the authority on its level of reserves that should be held and to ensure that there are clear protocols for their establishment and use. Councillors, on the advice of the Section 151 Officer, should make their own judgements on such matters taking into account local circumstances. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFs, its wider financial management, and associated risks over the lifetime of the plan. The Secretary of State has reserved powers to set a minimum level of reserves to be held by councils if required.

Reserves should not be held without a clear purpose. Should it be considered that the level (or proposed levels of reserves) is inadequate then a report must be made to Council outlining how this has arisen and what action should be taken to prevent a reoccurrence in subsequent years.

As part of the annual budget setting process and in reviewing the MTFs, the Council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds (earmarked reserves) to meet known or predicted requirements.

GENERAL (WORKING) BALANCES – CALCULATION OF OPTIMUM LEVEL

There are two approaches for deciding the optimum level of working balance. One approach is to apply a percentage range to the Net Budget Requirement, currently assessed as between 5% and 10% or a level between £0.7m and £1.4m. The alternative is a level based upon a risk assessment of the budget. In 2015/16 the Section 151 Officer has used a risk based approach to assess the appropriate level of general balances.

The framework for assessing the risks surrounding the budget needs to consider the following:

- Inflationary pressures.
- Pension Fund changes.
- Planned economy measures/service reductions.
- Interest rate variations.
- Volume variations on demand-led services such as planning charges, land charges.
- New services/initiatives.
- The risk of litigation.
- Emergency planning.
- Financial guarantees.
- Grant income.
- Future budget projections.

| Area of Risk | Explanation |
|-----------------------------|---|
| 1. Inflationary Pressures | <p>Historically the cost of pay awards has caused major variations to budget estimates. As at December 2015 it appears likely that there will be pressure to pay more than a 1% pay award in 2016/2017. A provision of £82,000 (1%) is recommended within the working balance to offset this risk.</p> <p>Inflationary risks on other costs are a factor elsewhere. The Ubico contract is driven by fuel and pay increases and a provision of 1% on the 2015/16 contract value suggest a figure of £66,400 should be kept as a provision in the working balance.</p> |
| 2. Pension Fund Changes | <p>The 2013 triennial review has brought a degree of certainty to future pension costs for 2014-2017. These should not impact adversely on the Council in the next 12 months so no specific provision is required at this point.</p> |
| 3. Planned savings measures | <p>The Medium Term Financial Plan includes numerous work streams for ‘bridging’ the Council’s funding gap. Slippage can occur and the ‘Bridging the Gap’ Strategy uses a Red Amber Green (RAG) system for identifying those work streams at risk of slippage. Currently the strategy notes £200k of work streams considered ‘amber’ in terms of delivery and so these are accommodated within the working balance.</p> <p>The Council’s base budget includes an annual target of £350k to recognise staff vacancy management. A smaller workforce coupled with reducing opportunities in a depressed public sector could impact on this budget principle and therefore a 25% allowance, equivalent to £87.5k for this is included within the working balance.</p> |
| 4. Interest rate variations | <p>The current very low level of investment rates suggest that there is little down-side risk at present and no specific provision is recommended for 2016/2017.</p> |

| | Area of Risk | Explanation |
|-----|--|--|
| 5. | Volume variations demand led | During the economic downturn the Council was vulnerable to drops in key income streams, e.g. planning fees, car parking income etc. Our budget projections reflect current levels of income but a 1% provision amounting to £103,200 to reflect the volatility is recognised in the working balance. |
| 6. | New services/ initiatives | No new initiatives have been identified that require specific provision within the working balance. |
| 7. | Risk of litigation contingency | During 2015/2016 the budget has come under pressure as a result of the cost of planning appeals and other judicial challenges. The costs are uncertain but in recognition of current intelligence a provision of £350,000 is recommended. |
| 8. | Emergency planning | Whilst the government will step in to assist in the event of a major disaster there are thresholds at which assistance is given. This threshold is 0.2% of the net budget. Financial support is then given at 85% of costs above this level. Provision of £1m would cost this Council £170,000; the cash flow impact would need to be handled from invested capital resources. |
| 9. | Financial guarantees/ contingent liabilities | Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage. The Joint Core Strategy continues to require ongoing resource and a provision of £50k is included should the risk of additional costs arising be realised. |
| 10. | Grant income | No new grant streams are anticipated in the 2016/2017 budget. No risks have been identified around existing grant flows that require specific provision in the working balance. |
| 11. | Business rates retention | As part of the pooling arrangement, the Council could be required to contribute to large scale revaluations such as occurred with Virgin Media via Tewkesbury Borough Council. Provision for such occurrences should therefore be included within the working balance and as such £150,000 is estimated. |

The assumptions above total £1,259,100 suggesting that we strive to maintain a working balance around this figure during 2016/17. The Council should not allow the working balance to fall below this figure. The current working balance is £1,408,591.

EARMARKED RESERVES

In order to assess the adequacy of earmarked reserves when setting the budget, the Chief Finance Officer should take account of the strategic, operational and financial risks facing the authority. Accepting that there are still some areas of uncertainty, the level of reserves appears adequate at this point in time and no other changes are currently recommended.

Whilst the majority of these reserves are held for specific purposes, there are three reserves which are available to help meet the cost of any changes as the Council meets the challenges of future funding reductions; these are:

| | Balance projected at 31st March 2016 £ |
|---------------------------------------|--|
| Budget Strategy (Support) Reserve | 737,129 |
| Pension Reserve | 177,246 |
| New Initiatives Reserve (2020 Vision) | 400,000 |
| | 1,254,375 |

In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. The new reserve may also secure the Council against short-term challenges which we know we will encounter in the coming year such as the one-off drop in business rates income in 2016/17 due to redevelopment, and the delay in securing car park income of £350k a year from the North Place development. The budget proposals rely on the drawdown of part of this reserve in 2016/17. The balance of £337,192 will give the Council time to work up its strategy for delivering substantial savings over the next 4 year period.

A significant level of risk to this authority remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office.

The projected balance within the Business Rates Retention (BRR) equalisation reserve at 31st March 2016 is £1,123,916, and the budget proposals utilises this reserve in 2016/17. I recommend to Council that this is a prudent use of the balance held in the BRR earmarked reserve as it is being used to cover deficits that have arisen in the current year mainly as a result of successful appeals for Doctors surgeries and is also being used to cover the one-off drop in business rates income outlined above.

I have reviewed the revenue reserves and propose the transfers as identified in Appendix 6. I also consider that the financial reserves and working balance as proposed in these papers are adequate to fund spending plans for 2016/2017 and give a firm basis for the years 2017-2020. However, given the proposed front-loaded cuts in RSG and the uncertainty surrounding NHB in the future, I recommend that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

4. OVERALL CONCLUSION

There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget. The budget proposals includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure per the MTFS without drawing on the General Reserve.

I am, therefore, satisfied that the proposed budget is balanced and meets the legal requirement to set a balanced budget.

My overall view is that the budget is a sound response to continuing challenging financial circumstances, which maintains services, maximises efficiencies and responds to anticipated future financial challenges.

In line with statutory duties, Members are asked to consider the advice provided in this report, based upon my assessment of the robustness of the overall budget and estimates in the medium term financial projections.

PAUL JONES
Section 151 Officer

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NET GENERAL FUND BUDGET 2016/17

| <u>GROUP</u> | 2015/16 ORIGINAL £ | 2015/16 REVISED £ | 2016/17 ORIGINAL £ |
|---|--------------------------|-------------------------|--------------------------|
| Projected cost of 'standstill' level of service | | | |
| Strategic Directors | 1,505,550 | 1,451,550 | 1,643,600 |
| Environment & Regulatory Services | 2,810,920 | 3,189,245 | 3,167,895 |
| Deputy Chief Executives | 4,286,170 | 4,178,120 | 4,273,370 |
| Corporate Resources | 6,536,845 | 5,844,960 | 4,865,045 |
| Wellbeing & Culture | 1,440,200 | 1,370,200 | 1,416,200 |
| Programme Maintenance | 0 | 0 | 600,000 |
| Bad debt provision | 40,000 | 26,790 | 25,000 |
| | 16,619,685 | 16,060,865 | 15,991,110 |
| Capital Charges | (1,736,900) | (1,492,530) | (638,100) |
| Interest and Investment Income | 322,300 | 378,700 | 407,500 |
| Use of balances and reserves | (91,200) | 752,858 | (1,114,152) |
| Proposed Growth recurring - Appendix 4 | | | 85,000 |
| Savings / Additional income identified - Appendix 5 | | | (1,480,700) |
| Use of Budget Strategy Support reserve | | | (399,937) |
| NET BUDGET | 15,113,885 | 15,699,893 | 12,850,721 |
| Deduct: | | | |
| Revenue Support Grant | (2,110,549) | (2,110,549) | (1,272,960) |
| National Non-Domestic Rate | (2,507,443) | (2,243,109) | (2,838,470) |
| National Non-Domestic Rates - S31 Grants | (753,259) | (794,124) | (530,575) |
| National Non-Domestic Rate - 2013/14 surplus | (187,360) | (187,360) | 0 |
| National Non-Domestic Rate - 2014/15 surplus / deficit | (322,281) | (322,281) | 220,026 |
| National Non-Domestic Rate - 2015/16 surplus / deficit | 0 | (809,477) | 809,477 |
| New Homes Bonus | (1,605,500) | (1,605,500) | (1,375,500) |
| Specific Grant in lieu of council tax freeze 2015/16 | (81,700) | (81,700) | 0 |
| Specific Grant in lieu of council tax freeze 2016/17 | | | 0 |
| Less: Grant allocated to Parishes (council tax support) | 10,269 | 10,269 | 10,269 |
| Collection Fund Contribution | (111,100) | (111,100) | (163,800) |
| | (7,668,923) | (8,254,931) | (5,141,533) |
| NET SPEND FUNDED BY TAX | 7,444,962 | 7,444,962 | 7,709,188 |
| Council Tax income assuming increase of 1.99% | 7,444,962 | 7,444,962 | 7,709,188 |
| Band 'D' Tax | £187.12 | £187.12 | £190.84 |
| Increase per annum | | | £3.72 |
| Increase per week | | | £0.07 |
| % Rise | | | 2.0% |
| Gross Collectable Tax Base | 40,290.74 | | 40,906.60 |
| Collection Rate % | 98.75% | | 98.75% |
| Net tax base | 39,787.10 | | 40,395.30 |

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PROPOSALS FOR GROWTH

| Ref | Division | Project Name | Description | Revenue Costs | | | | Capital Costs |
|--|-------------------------------------|---------------------------------------|--|---------------|---------------|---------|---------|---------------|
| | | | | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2016/17 |
| | | | | £ | £ | £ | £ | £ |
| SUPPORTED GROWTH | | | | | | | | |
| 1 | Regulatory & Environmental Services | Joint Core Strategy | Additional one-off funding required to complete examination process and implement Community Infrastructure Levy (CIL), as recommended by Cabinet on 14th December 2015. | 85,000 | - | - | - | - |
| 2 | Regulatory & Environmental Services | Development Control & Planning Policy | One-off additional resource required in 2017/18 to fund staffing required to deliver planning resource requirements. | - | 13,500 | - | - | - |
| | | | | 85,000 | 13,500 | - | - | - |
| SUPPORTED GROWTH (FUNDED FROM NEW HOMES BONUS) | | | | | | | | |
| 3 | Regulatory & Environmental Services | Empty Homes Officer | Invest to Save Proposal: Additional funding to extend post to 31st March 2017. | 10,000 | - | - | - | - |
| 4 | Commissioning | Intensive cleaning | One-off intensive clean to include chewing gum removal in the Town Centre | 36,000 | | | | |
| 5 | Commissioning | Community Pride | Community Pride 'bidding' budget for allocation in 2016/17 | 30,000 | | | | |
| | | | | 76,000 | - | - | - | - |
| SUPPORTED ONE OFF GROWTH (FUNDED FROM GENERAL BALANCES) | | | | | | | | |
| 6 | Regulatory & Environmental Services | Joint Core Strategy | Additional one-off contingency identified to complete examination process and implement Community Infrastructure Levy (CIL), as recommended by Cabinet on 14th December 2015. | 50,000 | - | - | - | - |
| | | | | 50,000 | - | - | - | - |
| SUPPORTED GROWTH (FUNDED FROM EXTERNAL SOURCES) | | | | | | | | |
| 7 | Regulatory & Environmental Services | Community Infrastructure Levy (CIL) | Potential funding for three-way share of post to implement Community Infrastructure Levy (CIL) - will look to source from alternative funding pots prior to drawing on this funding. | 20,000 | - | - | - | - |
| 8 | Regulatory & Environmental Services | Business Improvement District (BID) | Additional one-off funding required to complete establishment of BID. | 9,900 | - | - | - | - |
| | | | | 29,900 | - | - | - | - |

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| BRIDGING THE GAP STRATEGY | | | | | |
|--|------------------|------------------|----------------|------------------|------------------|
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Total |
| Total Current MTFS Funding Deficit | 1,880,637 | 1,725,247 | 515,486 | 76,348 | 4,197,718 |
| Service Reviews & 'Systems' Thinking | | | | | |
| REST target as per Council report dated 20 July 2015 | | 157,500 | | | 157,500 |
| Discontinuation of partnership contribution to 'Safe at Home' contract | 32,000 | | | | 32,000 |
| Democratic Services Unit | 10,900 | | | | 10,900 |
| Corporate Governance | | 15,000 | | | 15,000 |
| Shared Services | | | | | |
| 2020 Vision - Shared Services | 150,900 | 224,100 | 124,000 | 82,000 | 581,000 |
| 2020 Vision - Teckal Company | | | | 227,000 | 227,000 |
| Additional waste target from new joiners | 29,000 | | 40,000 | | 69,000 |
| Efficiency gain on procurement - GOSS re-tendering of banking arrangements | 10,000 | | | | 10,000 |
| Commissioning | | | | | |
| L&C Review - trust savings | 231,500 | 150,500 | 43,000 | | 425,000 |
| Central Depot Bulking Facility | 46,000 | | | | 46,000 |
| Waste and Recycling Services | | | | 50,000 | 50,000 |
| Income | | | | | |
| Additional income target through economic growth - role of MD Place and Economic Development | | | | 500,000 | 500,000 |
| Business Rates additional target through pooling | | 200,000 | 100,000 | 100,000 | 400,000 |
| North Place development income | | 350,000 | | | 350,000 |
| Advertising & Sponsorship contract | 63,100 | | | | 63,100 |
| Asset Management | | | | | |
| Rationalisation of asset portfolio & Review of Investment Property | 10,000 | 20,000 | | | 30,000 |
| Vehicle Operating Lease - reduction to base budget | 97,300 | | | | 97,300 |
| Accommodation Strategy | 100,000 | | | 100,000 | 200,000 |
| Other | | | | | |
| Use of NHB to support Base Budget | 700,000 | | | | 700,000 |
| B/Fwd deficit funded by Budget Strategy (Support) | | | | | |
| Reserve in previous year | | (399,937) | (337,192) | | (737,129) |
| Use of Budget Strategy (Support) Reserve | 399,937 | 337,192 | | | 737,129 |
| Total Identified Savings/Income | 1,880,637 | 1,054,355 | -30,192 | 1,059,000 | 3,963,800 |
| Shortfall / (Surplus) against MTFS Funding Gap | 0 | 670,892 | 545,678 | (982,652) | 233,918 |

NB: traffic lights denote risk associated with delivery

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| | <u>Purpose of Reserve</u> | <u>31/3/15</u> | <u>2015/16</u> | <u>2015/16</u> | <u>2015/16</u> | <u>31/3/16</u> | <u>2016/17</u> | <u>Proposals</u> | <u>2015/16</u> | <u>31/3/17</u> |
|---|--|--|-------------------|---------------------|-----------------|-------------------|-----------------|-----------------------|-----------------|-------------------|
| | | | <u>Movement</u> | <u>Reserve</u> | <u>Movement</u> | | <u>Movement</u> | <u>to Support</u> | <u>Movement</u> | |
| | | £ | <u>Revenue</u> | <u>Re-alignment</u> | <u>Capital</u> | £ | <u>Revenue</u> | <u>2016/17 Budget</u> | <u>Capital</u> | £ |
| | | | £ | £ | £ | | £ | £ | £ | £ |
| <u>EARMARKED RESERVES</u> | | | | | | | | | | |
| <u>Other</u> | | | | | | | | | | |
| RES002 | Pension Reserve | To fund future pension liability | -177,246 | | | -177,246 | | | | -177,246 |
| RES003 | Economic Development & Tourism Reserve | To fund future economic and tourism studies | -4,200 | -50,000 | | -54,200 | 50,000 | | | -4,200 |
| RES005 | Keep Cheltenham Tidy Reserve | Keep Cheltenham Tidy campaign - scheme contributions | -626 | | | -626 | | | | -626 |
| RES006 | Cultural Development Reserve | To fund future arts facilities/activity | -22,361 | | | -22,361 | | | | -22,361 |
| RES008 | House Survey Reserve | To fund cyclical housing stock condition surveys | -121,525 | -5,000 | 42,534 | -83,991 | -5,000 | | | -88,991 |
| RES026 | Social Housing Marketing Assessment (SHMA) Reserve | To fund Social Housing Marketing Assessment WORK | 0 | 1,500 | -42,534 | -41,034 | -2,500 | | | |
| RES009 | Twinning Reserve | Twinning towns civic visits to Cheltenham | -4,279 | | | -4,279 | | | | -4,279 |
| RES010 | Flood Alleviation Reserve | To fund future flood resilience work, delegated to the Flood working group for allocation | -104,227 | 50,000 | | -54,227 | 50,000 | | | -4,227 |
| RES012 | Pump Room Insurance Reserve | Insurance reserve for stolen jewellery / damaged collections | -13,735 | | 13,735 | 0 | | | | 0 |
| RES013 | TIC Shop Reserve | Accumulated profits held for TIC shop improvements | -29 | | 29 | 0 | | | | 0 |
| | | To fund risk management initiatives / excess / premium increases | -79,371 | 5,000 | -13,735 | -88,106 | | | | -88,106 |
| RES014 | GF Insurance Reserve | Purchase of vehicles and equipment | 0 | | | 0 | | | | 0 |
| RES016 | Joint Core Strategy Reserve | To fund Joint Core Strategy | -68,780 | | | -68,780 | | | | -68,780 |
| RES018 | Civic Pride Reserve | To pump prime civic pride initiative / match funding | -492,137 | 105,100 | | -387,037 | 105,100 | | | -281,937 |
| RES019 | Land Charges Reserve | Cushion impact of fluctuating activity levels | 0 | | | 0 | | | | 0 |
| RES020 | Ubico Reserve | Replacement fund | -170,000 | | 100,000 | -70,000 | | | | -70,000 |
| RES021 | Cheltenham Leisure & Culture Trust | To cover unforeseen deficits in operations within new trust | -270,000 | | 70,000 | -200,000 | | | | -200,000 |
| RES022 | Homelessness Reserve | To cover future homelessness prevention costs | -50,000 | 8,900 | | -41,100 | 8,900 | | | -32,200 |
| RES023 | Transport Green Initiatives Reserve | To fund Transport Green Initiative Schemes | -34,600 | | | -34,600 | | | | -34,600 |
| RES024 | New Initiatives reserve | To fund 2020 Vision transformation programme | 0 | -400,000 | | -400,000 | -200,000 | | | -600,000 |
| RES025 | Budget Strategy (Support) Reserve | To support budget strategy | 0 | -307,900 | -429,229 | -737,129 | 399,937 | | | -337,192 |
| | | | -1,613,117 | | | -2,464,717 | | | | -2,014,746 |
| <u>Repairs & Renewals Reserves</u> | | | | | | | | | | |
| RES201 | Commuted Maintenance Reserve | Developer contributions to fund maintenance | -107,629 | 39,000 | | -68,629 | 39,000 | | | -29,629 |
| RES202 | Highways Insurance Reserve | County highways - insurance excesses | -15,000 | | 15,000 | 0 | | | | 0 |
| RES203 | Revs & Benefits IT Reserve | Replacement fund to cover software releases | -30,000 | | 30,000 | 0 | | | | 0 |
| RES204 | I.T. Repairs & Renewals Reserve | Replacement fund | -40,901 | 35,665 | | -5,236 | 5,236 | | | 0 |
| RES205 | Property Repairs & Renewals Reserve | 20 year maintenance fund | -1,032,142 | 296,000 | | -676,442 | 0 | | | -676,442 |
| RES206 | Delta Place Repairs & Renewals Reserve | Delta Place maintenance fund | 0 | | | 0 | -100,000 | | | -100,000 |
| | | | -1,225,673 | | | -750,308 | | | | -806,072 |
| <u>Equalisation Reserves</u> | | | | | | | | | | |
| RES101 | Rent Allowances Equalisation | Cushion impact of fluctuating activity levels | -77,900 | 77,900 | | 0 | | | | 0 |
| RES102 | Planning Appeals Equalisation | Funding for one off appeals cost in excess of revenue budget | -152,932 | -40,000 | | -192,932 | | | | -192,932 |
| RES103 | Licensing Fees Equalisation | Past income surpluses to cushion impact of revised legislation | -11,155 | | | -11,155 | | | | -11,155 |
| | | To cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses | -174,012 | | | -174,012 | | | | -174,012 |
| RES104 | Interest Equalisation | Fund cyclical cost of local plan inquiry | -7,230 | -100,000 | | -107,230 | | | | -107,230 |
| RES106 | Elections Equalisation | Fund cyclical cost of local elections | -92,100 | -60,000 | | -152,100 | 60,000 | | | -92,100 |
| RES107 | Car Parking Equalisation | To fund fluctuations in income from closure of car parks | -350,000 | 5,800 | 14,200 | -330,000 | 200,000 | | | -130,000 |
| RES108 | Business Rates Retention Equalisation | To fund fluctuations in income from retained business rates | -140,608 | -983,308 | | -1,123,916 | 1,123,916 | | | 0 |
| | | | -1,005,936 | | | -2,091,344 | | | | -707,428 |

| | <u>Purpose of Reserve</u> | <u>31/3/15</u> | <u>2015/16</u> | <u>2015/16</u> | <u>2015/16</u> | <u>31/3/16</u> | <u>2016/17</u> | <u>Proposals</u> | <u>2015/16</u> | <u>31/3/17</u> | |
|---|-------------------------------|--|----------------------|---------------------|-----------------|-------------------|-------------------|-----------------------|-----------------|-------------------|-------------------|
| | | £ | <u>Movement</u> | <u>Reserve</u> | <u>Movement</u> | £ | <u>Movement</u> | <u>to Support</u> | <u>Movement</u> | £ | |
| | | | <u>Revenue</u> | <u>Re-alignment</u> | <u>Capital</u> | | <u>Revenue</u> | <u>2016/17 Budget</u> | <u>Capital</u> | | |
| | | £ | £ | £ | £ | £ | £ | £ | £ | £ | |
| <u>Reserves for commitments</u> | | | | | | | | | | | |
| RES301 | Carry Forwards Reserve | Approved budget carry forwards | -674,848 | 577,850 | | -96,998 | | | | -96,998 | |
| <u>CAPITAL</u> | | | | | | | | | | | |
| RES402 | Capital Reserve - GF | To fund General Fund capital expenditure | -791,061 | 0 | 762,000 | -29,061 | -220,500 | | 246,000 | -3,561 | |
| TOTAL EARMARKED RESERVES | | | -5,310,635 | | | -5,432,428 | | | | -3,628,805 | |
| <u>GENERAL FUND BALANCE</u> | | | | | | | | | | | |
| B8000 - B8240 | General Balance - RR | General balance | -1,599,226 | -9,365 | 200,000 | -1,408,591 | | 50,000 | | -1,358,591 | |
| | | | -1,599,226 | | | -1,408,591 | | | | -1,358,591 | |
| TOTAL GENERAL FUND RESERVES AND BALANCES | | | -6,909,860.98 | -752,858 | 0 | 821,700 | -6,841,019 | 1,514,089 | 50,000 | 246,000 | -4,987,396 |
| B8700 - B8716 | General Fund Capital Receipts | | -11,422,603 | | 6,464,791 | -4,957,812 | | | 630,000 | -4,327,812 | |

| Code | Fund | Scheme | Scheme Description | Budget 2015/16 | Revised Budget 2015/16 | Budget 2016/17 | Budget 2017/18 |
|----------|--------|---------------------------------|---|----------------|------------------------|----------------|----------------|
| | | | | £ | £ | £ | £ |
| | | RESOURCES | | | | | |
| | | Property Services | | | | | |
| CAP001 | PPMR | Cremators | New cremators | | 59,700 | | |
| CAP401 | GCR | Town Centre acquisitions | Acquisition of Shopfitters site | | 432,300 | | |
| CAP601-4 | GCR | Crematorium Development Scheme | Construction of new crematory building, car parks, exit roads and replacement cremators. | | 500,000 | 6,984,500 | |
| | GCR/PB | Town Centre acquisitions | Acquisition of Delta Place | | 13,750,000 | | |
| | | Financial Services | | | | | |
| CAP010 | GCR | GO ERP | Development of ERP system within the GO Partnership | | 14,700 | | |
| CAP012 | GCR | Cash Receipting System | Capitalisation of 3 year contract extension | | 125,300 | | |
| | | ICT | | | | | |
| CAP026 | C | IT Infrastructure | 5 year ICT infrastructure strategy | 275,600 | 746,400 | | |
| CAP026 | C | IT Infrastructure | Capitalisation of UNIFORM | 104,000 | 0 | | |
| | | WELLBEING & CULTURE | | | | | |
| | | Parks & Gardens | | | | | |
| CAP101 | S106 | S.106 Play area refurbishment | Developer Contributions | 50,000 | 65,900 | 50,000 | 50,000 |
| CAP102 | GCR | Play Area Enhancement | Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards | 80,000 | 95,100 | 80,000 | 80,000 |
| CAP125 | GCR | Pittville Park play area | Investment in the play area | | 300,000 | | |
| CAP501 | GCR | Allotments | Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure. | | 591,400 | | |
| | | Cultural Services | | | | | |
| CAP126 | GCR | Town Hall redevelopment scheme | Preliminary work, subject to Council approving a detailed scheme and a business case | | 400,000 | | |
| CAP124 | GCR | Town Hall Chairs | Replacement of Town Hall chairs on a like for like basis | | 80,000 | | |
| | | Recreation | | | | | |
| CAP112 | C | Carbon reduction scheme | Replacement of Pool Hall lighting to LEDs at Leisure@ | | 30,000 | | |
| | | BUILT ENVIRONMENT | | | | | |
| | | Integrated Transport | | | | | |
| CAP152 | GCR | Civic Pride - Promenade Upgrade | Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone. | | 65,800 | | |
| CAP152 | S106 | Civic Pride - Promenade Upgrade | Public Art - Promenade | | 22,000 | | |
| CAP153 | GCR | Civic Pride | Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use. | | 0 | | |
| CAP154 | GCR | Civic Pride - Creative Hub | Scheme for St.Mary's churchyard | | 45,300 | | |
| CAP154 | S106 | Civic Pride - Creative Hub | Public Art - St Mary's churchyard | | 20,000 | | |
| CAP155 | S106 | Pedestrian Wayfinding | GCC Pedestrian Wayfinding | | 27,500 | | |
| CAP156 | S106 | Hatherley Art Project | Public Art - Hatherley | | 7,800 | | |
| CAP204 | GCR | Civic Pride | Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration. | | 134,200 | | |

GENERAL FUND CAPITAL PROGRAMME

| Code | Fund | Scheme | Scheme Description | | Budget 2015/16 £ | Revised Budget 2015/16 £ | Budget 2016/17 £ | Budget 2017/18 £ |
|------|------|--------|--------------------|--|------------------------|-----------------------------------|------------------------|------------------------|
| | | | | | | | | |

| Code | Fund | Scheme | Scheme Description | Budget 2015/16 | Revised Budget 2015/16 | Budget 2016/17 | Budget 2017/18 |
|---|---------|--------------------------------------|--|----------------|------------------------|----------------|----------------|
| | | | | £ | £ | £ | £ |
| CAP201 | GCR | CCTV in Car Parks | Additional CCTV in order to improve shopping areas and reduce fear of crime | 50,000 | 265,000 | 50,000 | 50,000 |
| CAP202 | GCR | Car park management technology | The upgrade of the car park management technology at selected sites such as Regent Arcade is essential as the existing management systems and hardware have now reached the end of their life cycle. | | 37,100 | | |
| CAP205 | GCR | Public Realm Improvements | High Street & Town Centre public realm improvement including repaving work in the High Street and town centre | 317,300 | 561,700 | | |
| CAP206 | GCR | Car Park Investment | New car park machines to allow additional functionality to be introduced for the benefit of customers | | 250,000 | | |
| Housing | | | | | | | |
| CAP221 | SCG/GCR | Disabled Facilities Grants | Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families. | 600,000 | 500,000 | 600,000 | 600,000 |
| CAP222 | GCR | Adaptation Support Grant | Used mostly where essential repairs (health and safety) are identified to enable the DFG work to proceed (e.g. electrical works). | 26,000 | 26,000 | 26,000 | 26,000 |
| CAP223 | PSDH | Health & Safety Grant / Loans | A new form of assistance available under the council's Housing Renewal Policy 2003-06 | | 275,200 | | |
| | PSDH | Vacant Property Grant | A new form of assistance available under the council's Housing Renewal Policy 2003-06 | | | | |
| | PSDH | Renovation Grants | Grants provided under the Housing Grants, Construction and Regeneration Act 1996 | | | | |
| CAP224 | LAA / C | Warm & Well | A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems | | 78,400 | | |
| CAP225 | PB/HCR | Housing Enabling - St Paul's Phase 2 | Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation | | 2,312,800 | | |
| CAP227 | C/S | Housing Enabling - Garage Sites | Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes | | | | |
| CAP228 | S106 | Housing Enabling | Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation | | 500,000 | 500,000 | |
| OPERATIONS | | | | | | | |
| CAP301 | GCR | Vehicles and recycling caddies | Replacement vehicles and recycling equipment | | 61,800 | | |
| CAP301 | PB/GCR | 10 Year vehicle Replacement | CBC & Ubico vehicle & plant replacement programme | 806,000 | 1,434,000 | 905,000 | 143,000 |
| BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME: | | | | | | | |
| | C | Town Hall redevelopment (£1.8m) | Subject to Council approving a detailed scheme and a business case | | | | |
| | C | Public Realm improvements (£2m) | Pending the completion of the Cheltenham Transport Plan process | | | | |
| CAP302 | GCR | Material Bulking Plant | Maximum Project Budget for acquisition cost of creating the materials' bulking plant at the central Depot, required to deliver annual revenue savings of £92k | | 390,000 | | |
| CAP503 | GCR | Bus Station | Demolition of existing concrete bus shelter and waiting room and provision of services to supply new café facility | | 50,000 | | |

GENERAL FUND CAPITAL PROGRAMME

| Code | Fund | Scheme | Scheme Description | Budget 2015/16 | Revised Budget 2015/16 | Budget 2016/17 | Budget 2017/18 |
|--------|------|---|---|------------------|------------------------|------------------|----------------|
| | | | | £ | £ | £ | £ |
| | | <u>CAPITAL SCHEMES - RECLASSIFIED AS REVENUE</u> | | | | | |
| CAP203 | C | Re-jointing High Street/Promenade pedestrianised area | Re-jointing works required to improve safety and appearance of the core commercial area | | 7,500 | | |
| | | TOTAL CAPITAL PROGRAMME | | 2,308,900 | 24,262,900 | 9,195,500 | 949,000 |
| | | Funded by: | | | | | |
| | | G Government Grants | | | | | |
| | | SCG Specified Capital Grant (DFG) | | 306,000 | 383,000 | 380,000 | 380,000 |
| | | LAA LAA Performance Reward Grant | | | 78,400 | | |
| | | P Partnership Funding | | | 0 | | |
| | | PSDH Private Sector Decent Homes Grant | | | 275,200 | | |
| | | HRA Housing Revenue Account Contribution | | 50,000 | 0 | | |
| | | PPMR Property Planned Maintenance Reserve | | | 59,700 | 474,500 | |
| | | S106 Developer Contributions | | 50,000 | 643,200 | 550,000 | 50,000 |
| | | D Capital Debtor | | | | | |
| | | HCR HRA Capital Receipts | | | | | |
| | | GCR GF Capital Receipts | | 447,300 | 7,745,400 | 630,000 | 130,000 |
| | | CPR Civic Pride Reserve | | | | | |
| | | PB Prudential Borrowing | | 806,000 | 14,294,100 | 6,915,000 | 143,000 |
| | | C GF Capital Reserve | | 649,600 | 783,900 | 246,000 | 246,000 |
| | | | | 2,308,900 | 24,262,900 | 9,195,500 | 949,000 |

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2016/17 Programme Maintenance - Original Budgets

| Property Name | Description | Original £ |
|---|--|----------------|
| All Properties (H&S) | Fire risk assessment works arising from reports | 20,000 |
| | Consequential works arising from legionella risk assessments/ inspections | 10,000 |
| | Consequential works arising from asbestos risk assessments/ inspections | 10,000 |
| | Installation of safety filming to doors and windows as regulation 14 H&SW act | 6,000 |
| | Fixed Wiring inspections/ EIC Certification | 15,000 |
| | Contingency fund for compliance/ H&S remedial work | 10,000 |
| Pittville Park WC | Remedial repairs - damp issues to internal walls/ re-tiling | 6,000 |
| Pittville Pump Room | FRA consequential works - Upgrade of internal fire doors | 30,000 |
| | Remedial repairs to stonework (re pointing etc) | 5,000 |
| | Replace CCTV camera to rear car park to capture whole area | 1,200 |
| | Annual sand/ re-lacquer/ re-line to Ballroom, Spa Room & Bar timber floors | 2,800 |
| Pittville Recreation Centre | Tiling repairs & alterations to reduce leaks into basement. | 10,000 |
| | Pool hall balcony - Replace 1.2x26m section of vinyl flooring (repair) | 4,000 |
| | Reinstate direction arrows, stop lines etc / pot hole repairs | 5,000 |
| | Multi Activity Rm - Upgrade defective lighting to LED's | 1,200 |
| | Pool hall - Phased replacement of seating (trial / phase 1) | 6,000 |
| | Remedial repairs to structural concrete frame - Phase 1 | 10,000 |
| | Remove damaged Artex (ACM) within Basement (under pool hall seating) | 5,000 |
| | Annual sand/ re-lacquer/ re-line to Sports Hall, Multi Activity Rm, Dance Studio & Squash Crts timber floors | 13,500 |
| Prince of Wales Stadium | Annual maintenance of track high lighting | 6,000 |
| | Specialist cyclical cleaning/ maintenance/ re-lining of running track surface | 4,000 |
| | Remedial works identified on CCTV survey | 5,000 |
| | Reline rainwater gutters | 3,000 |
| Royal Well Bus Station | Bus Station Refurbishment Project - Additional Work | 8,000 |
| Town Hall | Replace defective slates and service roof | 5,000 |
| | Work to cellar basement to prevent leaking | 3,500 |
| | Ongoing stone repairs | 10,000 |
| | Fire compartmentation to underside of Ball Room floor in basement | 70,000 |
| | Spot repairs to slate roof make good to asphalt over front porte cochere | 20,000 |
| | Remedial repairs to drainage provision sump pumps and drain | 7,000 |
| | Replacement of office roof coverings | 20,000 |
| | Refurbishment of office roof lights | 10,000 |
| | Annual sand/ re-lacquer/ re-wax to Main Hall, Pillar Room & Buffet timber floors | 6,000 |
| Christmas Illuminations | General remedial repairs to displays | 5,000 |
| All Properties (Car Parks) | Provision for minor repairs and line painting to Operational Car Parks | 10,000 |
| Arle Nursery | Irrigation pump Variable speed drive upgrade - Reduced reactive failures & energy usages | 6,000 |
| | Phased replacement of UV damaged / brittle pipework | 3,000 |
| | Fixed Wiring inspections/ EIC Certification | 1,000 |
| Art Gallery & Museum | Energy reduction schemes (as yet undefined) | 10,000 |
| | Work to rear wall joint between new and old building | 6,000 |
| | Safe access to Roof system | 2,000 |
| | Drain repair to rear downpipe joint work with GCC | 5,000 |
| Municipal Offices | Roof access protection | 5,000 |
| | Replacement of door access control system throughout building | 25,000 |
| | FRA consequential works - Upgrade of fire alarm system | 9,000 |
| | FRA consequential works - Upgrade of internal fire doors | 20,000 |
| | Remedial repairs to coping stones | 5,000 |
| | Upgrade CCTV provision - additional cameras to basement & ground Floor corridors | 1,300 |
| | Replacement of floor coverings in basement gents toilet | 2,000 |
| Running remedial repairs and repainting to sash windows | 5,000 | |
| Central Depot | General remedial repairs to any element | 8,000 |
| Cheltenham Crematorium | Cremator plant software upgrade | 4,500 |
| | Provision of service and maintenance works to cremator plant | 50,000 |
| Town Centre East Car Park | Replacement of windows & screens to all elevations | 15,000 |
| | Professional deep clean | 4,500 |
| Berkeley Mews | Redecorate High St Elevation | 9,000 |
| | Replacement of window frames to rear elevation | 6,000 |
| Regent Arcade Car Park | Professional deep clean | 4,500 |
| Miscellaneous Property | Rebuild retaining wall - Windyridge Rd/ Thomond Rd underpass | 4,000 |
| Montpellier WC | Remedial repairs to underground drainage (as identified on CCTV survey) | 10,000 |
| QE11 Playing Field | Professional fees for investigative work on QE11 contaminated land containment | 1,500 |
| | Removal of leachate contaminates from catch-pit and disposal | 1,500 |
| Priors Farm Pavilion | Re-application of liquid polymer covering to external balcony floor | 3,000 |
| Kingham Line Footbridge | Structural surveys and immediate remedial repairs | 4,000 |
| Pittville Park | Remedial repairs to bridge ornamental stonework and features | 6,000 |
| Total Programme Maintenance (agreed by AMWG) | | 600,000 |

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Pay Policy Statement

For all Employees at
Cheltenham Borough Council

2016/2017



1. Purpose

1.1. This Pay Policy Statement (The Statement) is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually prior to the commencement of the new financial year.

1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the Pay of its workforce for the financial year 2016-17, in particular: -

- the remuneration of its Chief Officers
- the remuneration of its "lowest paid employees"
- the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers

2. Definitions

2.1. For the purpose of this Pay Policy Statement the following definitions will apply:

- **Chief Officers** as detailed in paragraph 7.1 of the document.
- **Lowest paid employees** of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). From 1 January 2015 the Grade A band will be from £13,614 to £14,075 per annum, made up of 4 incremental pay points.
- **Employees who are not Chief Officers** - refers to all staff not covered under the Chief Officer group detailed above.

3. Pay Framework & Remuneration Levels

3.1. Remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to fulfilling the council's business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is not, nor is seen to be unnecessarily excessive. Each council has responsibility for balancing these factors and each council faces its own unique challenges and opportunities in doing so. Flexibility to cope with various circumstances that may arise is retained by the use of market supplements. (See Market Forces Supplement section below) for individual categories of posts where appropriate.

4. Responsibility for Decisions

4.1. The Council is a member of the local government employers association for national collective bargaining in respect of Chief Executives, Chief Officers, and all other employees.

Listed below are the separate negotiations and agreements in respect of each of these three groups.

- Chief Executives - Joint Negotiating Committee for Local Authority Chief Executives (ALACE is normally the negotiating body for pay, unless varied locally);
- Chief Officers – Joint Negotiating Committee for Chief Officers of Local Authorities

- All other employees – National Joint Council for local Government Services.

In addition to pay the national agreements cover other terms and conditions such as:

- Pension
- Occupational Sickness Scheme
- Maternity Scheme
- Overtime

5. Grading Framework & Salary Grades

5.1. Grading Framework

The Chief Executive and Chief Officers have their basic pay determined by a job evaluation scheme (the Hay scheme). All other employees have their basic pay determined by a different job evaluation scheme (the National Joint Council Job Evaluation scheme). Both schemes ensure that different jobs having the same value are paid at the same rate. The “job score” determines the pay grade for the job. With the exception of the Chief Executive who is on a spot salary grade (with no provision for incremental progression nor additional payment on completion of a period of service), all other pay grades have 4 incremental points.

Employees move up one incremental point per year. Annual increments within a pay band shall be payable until the maximum incremental point of the grade is reached subject to the line manager being satisfied that an employee has achieved a suitable standard of performance. Increments may be accelerated or withheld based upon outstanding or poor performance respectively.

Annual increments will be payable on 1 April each year to the maximum of the grade. Employees must have completed a minimum of six months service in their current post to qualify for an increment at 1 April.

For clarity, employees starting in their current post between 1 April and 1 October receive an increment, if applicable, the following April. Employees starting after 1 October and before 1 April receive an increment, if applicable, after six months in the post.

Job evaluation is carried out for all new roles, for roles where a substantial change of duty has occurred, or as required as a result of an equal pay audit. A fair and transparent process is in place for managing job evaluations, which includes Trade Union input, and moderation of evaluation outcomes to ensure consistency of application of the scheme. Equal pay audits are carried out as required.

5.2. Shared Posts/Lead Employer

Where these are agreed and set in place, the costs of any role are appropriately apportioned and recharged via the employment/secondment/management agreement. Such roles, where the Council is the employer, are evaluated according to the Council's existing job evaluation scheme.

5.3. Salary Grades

A full list of the Council's salary grades and associated spinal column pay points can be found in Appendix 9i.

6. Electoral Registration and Returning Officer

The scale of fees for this role is approved by the Gloucestershire Elections Fees Working Party for local elections, or the relevant scales of fees prescribed by a Fees Order in respect of national, regional or European Parliament elections, polls or referendums.

<http://www.legislation.gov.uk>

The fees constitute payments for separate employment and in most cases are eligible for superannuation purposes.

The fees are paid as part of the election account for each election and all costs, including employer superannuation costs, are recovered from the body responsible for the assembly to which candidates are being elected, or for which a poll or referendum is being carried out.

The Electoral Registration and Returning Officer for the Council is the Chief Executive.

7. Remuneration - level & element

7.1 Chief Officers

Up to 27 March 2016:

| | |
|------------------------|--|
| Chief Executive | Chief Executive Level Spot Grade £111,565 p.a. |
| Deputy Chief Executive | Deputy Chief Executive Level Band £79,575 - £91,975 p.a. |
| Director | Director Level Band 3 £66,725 - £77,113 p.a. Director Level Band 4 £55,207 - £62,985 p.a. |

28 March 2016 Onwards:

| | |
|----------------------------|--|
| Head of Paid Service | Head of Paid Service Spot Grade £99,975 p.a. |
| Managing Director/Director | Director Level Band 3 £66,725 - £77,113 p.a. |
| Director | Director Level Band 4 £55,207 - £62,985 p.a. |

7.2. Non Chief Officers

| | |
|-----------|------------------------------------|
| Employees | 11 Grades A to K (see appendix 9i) |
|-----------|------------------------------------|

7.3. New Starters Joining the Council

Employees new to the Council will normally be appointed to the first point of the salary range for their grade. Where the candidate's current employment package would make the first point of the salary range unattractive or where the employee already operates at a level commensurate with a higher salary, a higher salary point within the pay grade for the post may be considered by the recruiting manager. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range. These arrangements apply to all posts up to the level of Chief Officer.

In professions where there is a particular skills shortage, as a temporary arrangement, it may be necessary to consider a market supplement to attract high quality applicants. The level and duration of premium will be determined by reference to a combination of national comparators, local conditions, recruitments difficulties, inflation, and whether the post has recently been advertised and the process has been unsuccessful.

In guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large salary packages are offered in respect of new appointments. The guidance states a threshold of £100,000 should set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any new appointment in excess of £100,000.

7.3. Lowest Paid Employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). From 1 January 2015 the Grade A band will be from £13,614 to £14,075 per annum, made up of 4 incremental pay points.

For pay comparison purposes the top of pay grade will always be used.

7.4. Relationship between Remuneration of Highest Paid Employee (Chief Officer) and Lowest Paid Employee

The Council does not explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples cannot capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required. In terms of overall remuneration packages the Council's policy is to differentiate by setting different levels of basic pay to reflect differences in responsibilities but with the exception of overtime payments not to differentiate on other allowances, benefits and payments it makes.

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 1st January 2015 the current ratio of *highest paid to lowest paid is 1:7.3. The ratio between the *highest paid salary and the median paid salary of the Council's workforce is 1:3.6.

| | |
|---|---------|
| Lowest Paid Employee (Top of current salary band Grade A) (Excludes Living Wage Allowance) | £13,614 |
| Mean Paid Employee (Average salary band of all employees up to & including Chief Officers) | £33,715 |

| | |
|--|---------|
| Median Paid Employee (Middle Salary band value of all employees up to & including Chief Officers) | £27,524 |
| Highest Paid Employee (*from 28 March onwards) | £99,975 |

7.5. Bonuses

The Council does not operate any bonus schemes for any chief officer or any other employee.

7.6. Performance Related Pay

Other than incremental progression through the pay grade of a post (see section 5.1) the Council does not operate performance related pay for any chief officer or any other employee.

7.7. Pay Protection

The Council seeks to ensure that all employees receive equal pay for work of equal value. To be consistent with equal pay principles the council's protection arrangements will not create the potential for pay inequalities (e.g. open-ended protection).

There may be times when the grade for an individual's role changes for reasons unrelated to their performance e.g. restructures. In such cases the protection arrangements outlined will apply for 12 months from the date of the change.

7.8. Severance Payments

The Council has a consistent method of calculating severance payments which it applies to all employees without differentiation. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.

In line with the statutory redundancy payment scheme, the Council calculates redundancy severance payments using the following calculation. The calculation is based on an employee's age and length of continuous local government service (please note that employees must have a minimum of 2 years' continuous service to qualify for a redundancy payment) the multiplier for the number of weeks is then applied to the employee's actual weekly earnings.

The amount of redundancy pay will be calculated as –

- 0.5 week's pay for **each full year of service** where age at time of redundancy is less than 22 years of age
- 1.0 week's pay for each **full year of service** where age at time of redundancy is 22 years of age or above, but less than 41 years of age
- 1.5 weeks' pay for **each full year of service** where age at time of redundancy is 41+ years of age

The maximum number of year's service taken into account is 20. The maximum number of weeks pay is 30 for anyone aged 61 years of age or older with 20 years or more service.

In guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large severance packages are offered and arrangements are finalised for employees leaving the organisation. The guidance states a threshold of £100,000 should set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any severance packages (including salary paid in lieu, redundancy compensation,

pension entitlements/costs, holiday pay, fees or allowances) offered by the authority in excess of £100,000.

7.9. Pension - The Local Government Pension Scheme (LGPS) and policy with regard to the exercise of discretions

Pension provision is an important part of the remuneration package. All employees may join the LGPS. The LGPS is a statutory scheme with contributions from employees and from employers. For more comprehensive details of the LGPS please visit the following web page:-

<http://www.lgps.org.uk>

For district Councils in Gloucestershire, the LGPS is administered by Gloucestershire County Council. For information please visit the following web page:

<http://www.gloucestershire.gov.uk>

Neither the LGPS nor the Council adopt different policies with regard to benefits for any category of employee: the same terms apply to all employees of the Council.

The LGPS provides for the exercise of discretion that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that it does not normally enhance pension benefits for any of its employees (see the LGPS Statement of Policy/Discretions on the Council's website). This policy statement reaffirms this in respect all employees.

The LGPS provides for flexible retirement. The LGPS requires a minimum reduction in working hours and/or that there is a reduction in grade and that any consequential payments to the pension fund are recoverable within a set pay back period. (See section below)

7.10. Early/Flexible Retirements

The precise terms of the Council's policy are discretionary and may be varied unilaterally.

Subject to the criteria of the policy and service delivery needs being met, any employee over the age of 55 and who is a member of the Local Government Pension Scheme (LGPS) can request to either reduce their hours or take a job at a lower grade/rate of pay and gain access to their pension even though they have not retired.

It is the intention of the Council that this facility be used in order to provide employees with the opportunity to take a one-off step towards permanent retirement. Any agreed requests will be treated as a permanent change to an employee's contract of employment.

7.11. Honorarium Payments

The Council has a responsibility to ensure equal pay for all employees and so the use of honoraria payments should be carefully considered, and be capable of justification. A payment can be made for the following reasons:-

- To recognise a *specific* contribution that an employee has made by making a single payment to him/her,

Or

- To recognise that an employee is temporarily undertaking some but not all the additional responsibility of a higher graded role for a continuous period of at least four weeks by making a regular monthly payment to them during that temporary period.

7.12. Acting up Allowances

'Acting Up' is when an employee is authorised by their line manager to provide cover for a more highly graded post for an agreed period of time.

The payment ('acting up' allowance) is a temporary payment and will be made to the individual employee for covering the duties of the higher graded job for the agreed period of time. The policy applies to all employees. The supplement to be paid will be the difference between the employee's current salary and depending on experience up to the second scale point of the grade relating to the higher level post. The payment will cease on completion of the 'acting up' period and the employee's salary will revert to that which it would have been had 'acting up' not occurred.

7.13. Market Forces Supplement

The Council is committed to the principles of single status employment and seeks to ensure employees receive equal pay for work of equal value.

In exceptional circumstances it may be necessary to ensure the effective recruitment and retention of employees and to pay individuals and/or groups of employees a premium rate to reflect the market competitiveness of the job. Any market supplement must be provided for from within existing budgets and be objectively justifiable. The job evaluation determined grade for that post will not be changed. Market supplements will be paid as a temporary fixed allowance. The supplements will be reviewed annually and consequently can be withdrawn, should the review demonstrate that current evidence does not justify a supplementary payment continuing. Should such a supplement continue to be paid for an extended period, e.g. several years or more, the need for continuation will be examined carefully during the annual review in order to ensure that such continuation continues to be objectively justifiable in the circumstances.

8. Reimbursement of Expenses

8.1 Travel & Subsistence

The Council will meet or reimburse authorised travel and subsistence costs for attendance at approved business meetings and training events. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager.

The Council pays the HMRC mileage rate of 45 pence per business mile.

The Council does not regard such costs as remuneration but as non-pay operational costs.

8.2 Disturbance Allowance

All employees who incur additional costs arising from a compulsory change in their work place will be reimbursed in accordance with the Council's Disturbance Allowance policy. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases

and authorised by the appropriate line manager. The Council does not regard such costs as remuneration but as non-pay operational costs.

8.3. Relocation Expenses

The Council operates a scheme of relocation allowances to assist new employees who need to move in order to take up an appointment with the Council. Relocation allowances are paid at the discretion of the Directors (or Appointment Committee for Chief Officers and above) where they think that it is essential to pay such allowances in order to attract the right candidate for the job.

The same policy applies to Chief Executive, Chief Officers and other employees in that payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area. The costs include estate agents fees, legal fees, stamp duty, storage and removal costs, short term rental etc up to the value of £8,000.(including VAT). An employee who leaves within 2 years of appointment will have to make a repayment of 1/24th for each month short of the 2 year period.

8.4. Professional Fees & Subscriptions

The Council meets the cost of one annual professional membership body fee or subscription where it is a statutory requirement for the role and where applicable meets the cost of membership of SOLACE (Society of Local Authority Chief Executives).

9. Re-employment of Former Council Employees

With regards to re-employing former local government employees who have been made redundant, in line with LGA guidance **if there is less than a 4 week gap between the date the employee was made redundant from the Council/a body under the modification order and the date of joining/re-joining a Council the employee will be required to repay their redundancy payment to their previous employer as continuity of service will be protected and their employment classed as continuous.** If the gap is longer than 4 weeks the employee can retain their payment as continuity of service will have been broken and continuous service will not be protected.

10. The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011.

The Council notes the discretion and confirms that it will not make use of this discretionary power.

11. Trade Union Recognition and Facility Time

The Council supports the system of collective bargaining and the principle of solving employee relations problems by discussion and agreement.

The Council recognises two trade unions for collective bargaining purposes. These are GMB and Unison. All parties recognise that it is vital to good employee relations for the workforce to be properly represented. Furthermore all parties believe that a truly representative and effective union will enhance workforce employee relations.

The Trade Union and Labour Relations (Consolidation) Act 1992 sections 168 and 170 make provision for employees to be given the right to take reasonable time off under various circumstances. Trade Union representatives engaged on recognised duties will be given reasonable paid time off during normal working hours to carry out functions related to their representational responsibilities. The table below contains the estimated amount of reasonable time permitted for TU activity/duties over a normal business year.

| Activity/Duty | Estimated Hours per week | No of Reps | Total Estimated time per business year.* |
|---|-----------------------------|------------|--|
| Case Management & Advice to Membership | Average 1 hours per week | 4 | 188 hours |
| Training | Average 0.5 hours per week | 4 | 94 hours |
| Health and Safety | Average of 1 hours per week | 2 | 94 hours |
| Corporate meetings, TU meetings and prep time | Average 0.5 hours per week | 4 | 94 hours |
| Estimated Total Hours | | | 470 hours |

| | |
|--|---------------------------|
| Estimated Average Total Hours per TU Rep Per Week | 2.5 hours per week |
|--|---------------------------|

*business year assumes TU reps each have 25 days annual leave. Calculation based on 47 weeks per year)

The Council does not have any full time trade union representatives in its employment.

12. National Minimum Wage/Living Wage

The National Minimum Wage (NMW) is a legal requirement that applies to most workers in the UK over school leaving age. The NMW rates are reviewed each year by the Low Pay commission.

The NMW rates from 1 October 2015 are:

- £6.70 (per hour) for workers 21 years of age and over
- £5.30 (per hour) 18 - 20 years of age
- £3.87 (per hour) for 16-17 years of age, who are above school leaving age but under 18 years of age
- £3.30 (per hour) for apprentices under 19 or 19 years of age or over who are in the first year of apprenticeship. All other apprentices are entitled to the NMW for their age.

The National Living Wage

From 1 of April 2016 all workers aged 25 and over are legally entitled to at least £7.20 an hour.

The Council's comparative Grade hourly rate is Grade A scp 9, £7.29. Grade A is used as a stepping stone grade from Apprentice to Trainee role. The employees on Grade A are usually under 21. The majority of the Council's employees are on Grade B and above.

The UK Living Wage (LW) is not a legal requirement but a recommended hourly rate set independently and updated annually. The UK Living Wage is calculated by the Centre for Research in Social Policy whilst the London Living Wage is calculated by the Greater London Authority and is based according to the basic cost of living in the UK.

Employers can *choose* to pay the LW on a voluntary basis.

The Living Wage rates for 2015-16 are:

- £8.25 (per hour) UK rate outside London
- £9.40 (per hour) UK rate for London

As at the 1st October 2014, the Council has chosen to pay the Living Wage Hourly rate to **all eligible employees** on scp 6 – scp 10 by way of an additional Living Wage Allowance. The Council will review its decision to pay the Living Wage annually at the Budget Setting Council meeting.

13. Other operational/non-operational pay and conditions

Other pay and conditions in operation, as follows:

- Shift premium
- Stand by and call out payments
- Premium for bank holiday/public holiday working
- Long Service Award
- Enhanced Leave – buy or sell up to an additional 5 days leave.
- Childcare Vouchers Salary Sacrifice Scheme
- Training Fees Reimbursement (post entry training scheme)
- Employee Welfare Service
- Eye Test Voucher Scheme

14. Publication and access to information

The publication of and access to information relating to remuneration of the Council's Chief Officers will be published annually on the Council's Website.

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Please contact GO Shared Service HR & Payroll Business Centre Team on 01242 77 5164 or email jobs@cheltenham.gov.uk for more information about this Statement and/or its contents.

Please note all HR policies referred to in this statement are available on request.

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New pay scales following pay award January 2015

| SCP | GRADE | OLD ANNUAL SALARY 2013 | NEW ANNUAL SALARY JAN 2015 | MONTHLY SALARY | WEEKLY Weekly RATE 37 hr week | HOURLY Hourly RATE 37 hr week | JE Points Score |
|-----|---------|------------------------------|----------------------------------|-------------------|-------------------------------------|-------------------------------------|--------------------|
| 006 | Grade A | 12614 | £13,614 | £1,134.50 | £261.09 | 7.057 | 0-294 |
| 007 | Grade A | 12915 | £13,715 | £1,142.92 | £263.03 | 7.109 | |
| 008 | Grade A | 13321 | £13,871 | £1,155.92 | £266.02 | 7.190 | |
| 009 | Grade A | 13725 | £14,075 | £1,172.92 | £269.94 | 7.296 | |
| 010 | Grade B | 14013 | £14,338 | £1,194.83 | £274.98 | 7.432 | 295-344 |
| 011 | Grade B | 14880 | £15,207 | £1,267.25 | £291.65 | 7.882 | |
| 012 | Grade B | 15189 | £15,523 | £1,293.58 | £297.71 | 8.046 | |
| 013 | Grade B | 15598 | £15,941 | £1,328.42 | £305.72 | 8.263 | |
| 014 | Grade C | 15882 | £16,231 | £1,352.58 | £311.28 | 8.413 | 345-394 |
| 015 | Grade C | 16215 | £16,572 | £1,381.00 | £317.82 | 8.590 | |
| 016 | Grade C | 16604 | £16,969 | £1,414.08 | £325.44 | 8.796 | |
| 017 | Grade C | 16998 | £17,372 | £1,447.67 | £333.17 | 9.005 | |
| 018 | Grade D | 17333 | £17,714 | £1,476.17 | £339.73 | 9.182 | 395-444 |
| 019 | Grade D | 17980 | £18,376 | £1,531.33 | £352.42 | 9.525 | |
| 020 | Grade D | 18638 | £19,048 | £1,587.33 | £365.31 | 9.873 | |
| 021 | Grade D | 19317 | £19,742 | £1,645.17 | £378.62 | 10.233 | |
| 022 | Grade E | 19817 | £20,253 | £1,687.75 | £388.42 | 10.498 | 445-494 |
| 023 | Grade E | 20400 | £20,849 | £1,737.42 | £399.85 | 10.807 | |
| 024 | Grade E | 21067 | £21,530 | £1,794.17 | £412.91 | 11.160 | |
| 025 | Grade E | 21734 | £22,212 | £1,851.00 | £425.99 | 11.513 | |
| 026 | Grade F | 22443 | £22,937 | £1,911.42 | £439.89 | 11.889 | 495-544 |
| 027 | Grade F | 23188 | £23,698 | £1,974.83 | £454.49 | 12.284 | |
| 028 | Grade F | 23945 | £24,472 | £2,039.33 | £469.33 | 12.685 | |
| 029 | Grade F | 24892 | £25,440 | £2,120.00 | £487.90 | 13.186 | |
| 030 | Grade G | 25727 | £26,293 | £2,191.08 | £504.26 | 13.629 | 545-594 |
| 031 | Grade G | 26539 | £27,123 | £2,260.25 | £520.18 | 14.059 | |
| 032 | Grade G | 27323 | £27,924 | £2,327.00 | £535.54 | 14.474 | |
| 033 | Grade G | 28127 | £28,746 | £2,395.50 | £551.30 | 14.900 | |
| 812 | Grade H | 28737 | £29,369 | £2,447.42 | £563.25 | 15.223 | 595-644 |
| 813 | Grade H | 29852 | £30,509 | £2,542.42 | £585.11 | 15.814 | |
| 814 | Grade H | 30967 | £31,648 | £2,637.33 | £606.96 | 16.404 | |
| 815 | Grade H | 32078 | £32,784 | £2,732.00 | £628.74 | 16.993 | |
| 722 | Grade I | 32719 | £33,439 | £2,786.58 | £641.31 | 17.333 | 645-694 |
| 723 | Grade I | 33982 | £34,730 | £2,894.17 | £666.07 | 18.002 | |
| 724 | Grade I | 35262 | £36,038 | £3,003.17 | £691.15 | 18.680 | |
| 725 | Grade I | 36528 | £37,332 | £3,111.00 | £715.97 | 19.350 | |
| 632 | Grade J | 37114 | £37,931 | £3,160.92 | £727.46 | 19.661 | 695-744 |
| 633 | Grade J | 38674 | £39,525 | £3,293.75 | £758.03 | 20.487 | |
| 634 | Grade J | 40236 | £41,121 | £3,426.75 | £788.63 | 21.314 | |
| 635 | Grade J | 41806 | £42,726 | £3,560.50 | £819.42 | 22.146 | |
| 542 | Grade K | 42618 | £43,556 | £3,629.67 | £835.33 | 22.577 | 745 + |
| 543 | Grade K | 44542 | £45,522 | £3,793.50 | £873.04 | 23.596 | |
| 544 | Grade K | 46455 | £47,477 | £3,956.42 | £910.53 | 24.609 | |
| 545 | Grade K | 48376 | £49,440 | £4,120.00 | £948.18 | 25.626 | |

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Responses to the public consultation

This was not a year in which response to public consultation was large. This may have been because there were no particularly objectionable proposals in the draft budget and no new proposals for capital investment beyond those agreed in 2015. Nonetheless the consultation, especially the various meetings held or attended by the cabinet member for finance and officers, was useful in teasing out a number of concerns and giving a snapshot of local opinion.

Questionnaire

A questionnaire was published on the website and in paper form and completed by 14 residents.

On the question of what respondents thought about the proposed council tax rise, 8 thought it was about right, 4 thought it was too little and 2 thought it was too much.

On the question of whether people supported the savings listed in the introductory information, 11 answered yes, 2 answered no and 1 was unsure.

In the detailed comments, one respondent objected to the twinning expenditure. One questioned the justification for the spending on the new Pittville Park play area and the work being done to adapt some of the old telephone kiosks in the Promenade. One urged that we should seek a far better return on investment from the Gloucestershire Airport. Another called for the disbanding of the Cheltenham Development Taskforce and was critical of the acquisition of Delta Place.

When asked what services they most wanted to see improved, services for the homeless and poor, more affordable housing, the revamping and improvement of the High Street, reopening North Place as a car park, street cleaning, tourism, improvements to the bus station and weekly bin collections were all mentioned.

Cabinet response: The pool of respondents, although small, shows general support for the approach taken in this budget. Most of the priorities for improvement that were suggested by the respondents are addressed in this budget or (in the case of works in the High Street and improvements to the bus station) have already been budgeted for in the capital programme.

A fuller summary of the responses to the questionnaire are posted on the Council website.

Budget Scrutiny Working Group

The BSWG met on January 5th to look in detail at both the draft general fund budget and the housing revenue account budget. A number of detailed questions were asked requiring further work by the deputy section 151 officer. The answers were emailed to the working group and can be supplied to any other members on request.

Residents' forum

An open meeting to discuss the budget was promoted on the website and in the media and held on January 14th at the Municipal Offices. The points raised and the answers given are posted on the Council's website.

The C5 group of parish councils

The cabinet member for finance with the deputy section 151 officer attended the meeting of the C5 group on January 4th to talk about the budget. They expressed concern about a possible cut in the Parish Council Support Grant but the cabinet member indicated that this would be maintained at its current level.

The question of 'double taxation' was raised and Charlton Kings Parish Council indicated that they would write to the Council Leader on the subject.

Voluntary sector

The cabinet member for finance and deputy section 151 officer met representatives of the voluntary sector on January 11th. He explained that although the budget for 2016/17 was unlikely to impact negatively on the voluntary sector, the following year's budget was likely to be very difficult. Representatives asked if they could be consulted at an early stage about any proposed changes or cuts in services.

Chamber of Commerce

The cabinet member and the deputy section 151 officer attended a meeting of the Chamber on January 18th to consult on the budget. The cabinet member explained that part of the Council's strategy is to maximise its future business rates by supporting economic development in the town. Chamber members expressed their concern that the Borough Council lacked the planning powers to stop business premises being converted to residential use.

Cabinet response: Cabinet members and officers are exploring ways of exerting more control over the conversion of business premises and land to residential use.

Overview & Scrutiny Committee

The cabinet member and the deputy section 151 officer attended the Committee on January 25th to report on progress with the final budget. No specific questions were asked.

Cheltenham Borough Council

Cabinet – 9th February 2016

Council – 12th February 2016

Housing Revenue Account - Revised Forecast 2015/16 and Budget Proposals 2016/17

| | |
|----------------------------|---|
| Accountable member | Cabinet Member for Finance, John Rawson |
| Accountable officer | Section 151 Officer, Paul Jones |
| Ward(s) affected | All |
| Key Decision | Yes |
| Executive summary | This report summarises the Housing Revenue Account (HRA) revised forecast for 2015/16 and the Cabinet’s budget proposals for 2016/17. |
| Recommendations | <ol style="list-style-type: none"> 1. Note the revised HRA forecast for 2015/16. 2. Approve the HRA budget proposals for 2016/17 (Appendix 2) including a proposed rent decrease of 1% and changes to other rents and charges as detailed at Appendix 5. 3. Approve the proposed HRA capital programme for 2016/17 as shown at Appendix 3. |

| | |
|--|---|
| Financial implications | <p>As contained in the report and appendices.</p> <p>Contact officer: Paul Jones.</p> <p>E-mail: paul.jones@cheltenham.gov.uk</p> <p>Tel no: 01242 775154</p> |
| Legal implications | <p>None specific arising from the report recommendations.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p> |
| HR implications (including learning and organisational development) | <p>There are no direct HR implications for the Council arising from the report.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p> |
| Key risks | As outlined in Appendix 1 |

| | |
|--|---|
| Corporate and community plan Implications | The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan. |
| Environmental and climate change implications | The budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings |

1. Introduction

There are no changes to the draft budget report presented to Cabinet on 15th December 2015.

2. Background Self-Financing and Changes to Social Rent Policy

- 2.1 In 2002 the Government introduced a rent convergence policy under which, over a ten year period, rents in social housing (local authority and housing association owned stock) were to be brought into alignment.
- 2.2 A rent formula was established with actual rents moving towards a national formula rent which took account of values of properties and local earnings relative to national earnings. A 'bedroom weighting' factor was also applied to try and ensure the resulting rents better reflected the perceived value of the properties being occupied. These formula rents were increased each year by the Retail Prices Index (RPI) + 0.5%.
- 2.3 Elected in 2010, the Coalition Government initially continued this rent setting process with a revised target convergence date for local authorities of 2015-16, subject to a maximum annual rent rise for an individual tenant of RPI + 0.5% + £2 per week. This policy formed a key assumption in the self-financing settlement in April 2012 and was used in the 30 year HRA Business Plan approved by Council in February 2012. This anticipated significant additional resources arising from the implementation of self-financing. CBC also approved a strategy to use these resources to finance a programme of new build, further improvements to existing stock and additional support services for tenants.
- 2.4 As part of the 2013 Spending Round the Government then announced that from 2015-16 social rents would rise by Consumer Prices Index plus 1 per cent each year for 10 years and that the policy of converging council and housing association rents was to be cut short. Following consultation the Government confirmed this policy change in May 2014. The financial projections in the HRA business plan were updated accordingly.
- 2.5 On 8 July 2015 (Summer Budget 2015) the Chancellor announced that rents in social housing would instead be reduced by 1% a year for four years resulting in a Government estimated 12% reduction in average rents by 2020-21. Nationally this measure is forecast to save the Exchequer £1.4bn by 2020-21, primarily in reduced Housing Benefit expenditure. Around 1.2m tenants not in receipt of Housing Benefit in the social rented sector are expected to benefit by up to £700 per year (current prices).
- 2.6 The scale of the impact of this proposal necessitates a fundamental review of the 30 year HRA Business Plan. The financial projections for 2016/17 to 2018/19 detailed in this report represent the start of a process which will produce a new long term business plan for Council approval in July 2016.

3. Impact of the Changes in Housing and Welfare Policy

3.1 The following significant changes in Government policy are being enabled through the Welfare Reform Bill 2015 and the Housing & Planning Bill 2015, both of which are currently passing through Parliament. The draft legislation sets the legal framework for the policy changes but much of the detail will follow in regulations to be published by the Secretary of State.

3.2 Rent Reduction

3.2.1 The current average rent for Council tenants is £82.38 per week. Prior to the budget the business plan assumed the average rent in 2019-20 would be £91.40 per week based on the CPI + 1% formula. It is now forecast that this will reduce to £79.16 per week, a reduction of 13.4% over the four year period when compared to the original forecast.

3.2.2 This will result in an estimated loss of rental income of £6.691m in the period to 31st March 2020. On the assumption that the Government will revert back to rent increases of CPI + 1% in April 2020, which is by no means certain, the cumulative loss of income over 30 years is estimated at £111m. This will produce a very significant reduction in the previously anticipated surpluses that were forecast in the long term HRA business plan.

3.3 Welfare Reform

There were also a number of changes to Welfare Benefits in the Summer Budget. Whilst a summary of these are noted below details of how these are to be implemented have not yet been issued by the Government and therefore the impact cannot be accurately forecasted:-

- The cap on benefits will be cut from £26,000 to £20,000 from April 2016.
- Working-age benefits will be frozen for four years, including tax credits and housing benefit; maternity payments will be excluded from the freeze.
- Working benefits will be removed from those who are not disabled and have no children, and will be withdrawn at a faster pace as claimants' earnings rise.
- Tax credit and universal credit support will be limited to the first two children from April 2017.
- Housing Benefit will be removed from young people aged 18-21, with some exceptions, from April 2017.
- Housing benefit will also be affected by removing the family premium for new children from April 2016.

These changes are in addition to the current roll out of Universal Credit.

CBH will need to monitor the impact of these changes as they are implemented with non-payment of rent being the ultimate risk to the HRA.

3.4 Extension of Right to Buy

3.4.1 The Government have committed to extending Right to Buy to tenants in Housing Associations, increasing discount rates, and decreasing qualifying periods. The Government intend to pay for the extension to Housing Association tenants, in part, by the sale of local authorities' most valuable (vacant) housing stock. The Government has said that the properties sold will be replaced on a one-for one basis.

3.4.2 Commentators questioned whether the rate of sales of vacant council stock would match the take-up rate of the extended RTB. It now appears that the Government is intending to address this

issue by introducing a levy on local authorities, based on sales forecasts rather than actual sales. However there would still be a legal duty to consider sales.

- 3.4.3 The majority of HRA stock (97%) is valued below the regional 'high value cap' estimates published in the Conservative manifesto prior to the General Election. In total, only 122 units of stock would potentially be affected. However the properties affected are of two particular types – 2 bed houses in a high value area of the town and 50% (90 units) of 1 bed bungalows owned by the Council. The loss of these units would remove the limited social housing from one part of the town and significantly reduce the availability of single storey accommodation for the disabled and elderly.
- 3.3.4 The risk is that sales will be wholly random as to when and which properties become void and will have no regard for local housing need. This will produce further pepper-potting within Council owned housing which will make the much needed regeneration of social housing stock more complex and more costly.

Further detail is required from Government before we can make an estimate of this impact in the financial projections.

3.5 Pay to Stay

- 3.5.1 Following a consultation exercise in 2012 the Coalition Government gave social landlords in England the discretion to charge market or near market rents to tenants with an income of £60,000 or more a year. The scheme is known as 'pay to stay.' The challenges for local authorities (including Cheltenham) in implementing this scheme are:-

- administration - gathering information on and monitoring tenants' incomes;
- affordability – affected tenants could face substantial rent increases;
- the potential work disincentive effect; and
- residualisation of the housing stock as higher earners are incentivised to move out.

As part of the Summer Budget 2015 the Chancellor announced that the discretionary 'pay to stay' scheme would be made compulsory (in England) and that new, lower income thresholds would be introduced. These thresholds are expected to be £40,000 in London and £30,000 elsewhere. Local authorities will be expected to repay the additional rental income to the Exchequer, thus 'contributing to deficit reduction', while housing associations will be able to use the additional income to reinvest in new housing.

- 3.5.3 The move to a mandatory 'pay to stay' scheme will require primary legislation; the Government has recently published a consultation document seeking views on the implementation of the scheme which will commence in April 2017.

4. 2015/16 Revised Forecast

- 4.1 The forecast at Appendix 2 shows an increase in the surplus for the year of £1,024,500 compared to the original estimate. This increase, together with an increase of £1,297,300 in the balance brought forward from 2014/15, will give revenue reserves of £5,856,900 at 31st March 2016.

- 4.2 Significant variations within the 2015/16 revised forecast (>£30,000) have been identified in budget monitoring reports and are summarised below:-

| Budget Heading | Change in resources |
|---|----------------------------|
| | £'000 |
| Repairs & Maintenance – decrease in forecast expenditure following reduced demand in year to date | 175 |
| Bad Debt Provision – lower arrears than anticipated reflect delay in implementation of welfare reform and allocation of additional resources to mitigate impact | 50 |
| Revenue contributions to fund capital programme – changes to programme and availability of funding options have reduced use of revenue resources | 754 |
| Other variations to expenditure | 21 |
| Other variations to income | 25 |
| Net increase in Surplus for Year | 1,025 |

5. Overview of HRA Business Plan

- 5.1 The recent changes in Government policy (in particular regarding rent reduction) have set all stock holding local authorities and private social landlords a significant challenge to produce a revised business plan that maintains service levels and retains viability.
- 5.2 Whilst CBH remain confident that the HRA can still deliver on the three key areas for investment within the existing Business Plan (further investment in new build, improvements to existing housing stock, and further investment in services), the timing, extent and scale of each will be significantly affected.
- 5.3 CBH will continue to review details of the changes to housing and welfare policy as they are released by the Government to determine whether further actions are required. The initial review of the HRA Business Plan has been guided by the following minimum targets:-
- Maintaining the recommended contingent balance of £1.5m in HRA reserves;
 - Allocating sufficient resources to maintain the decent homes standard throughout the stock;
 - Delivering the windows and doors improvement programme at a pace consistent with value for money;
 - Ensuring that resources continue to be available to deliver the existing new build programme (i.e. those schemes currently being progressed and anticipated to complete by March 2018), but still subject to individual scheme evaluation;
 - Ensuring the continuation of key service improvements initiated by Investment Pot 1;
 - Seeking to protect existing levels of service and mitigating the impact on tenants and leaseholders;
 - Retaining long term (30 years) viability. This will rely heavily on the Government's future social rent policy. We only have certainty until March 2020 – thereafter the link to CPI could be restored but there must be significant doubt as to whether rents will be allowed to increase above the prevailing rate of inflation.

5.4 The following work has been carried out in order to address the Budget impacts and to enable CBH to revise the financial projections in the HRA business plan.

- The HRA capital programme has been remodelled with particular emphasis on the next ten years.
- Potential impacts of the other changes in the July Budget have been identified with particular focus on benefit and tax credit changes. Further work is required to identify the actions needed by CBH to minimise these impacts for tenants and leaseholders.
- The key service improvements from Investment Pot 1 which need to be maintained have been identified and included in the base budget.
- CBH has revisited its goals for the next four years to ensure high quality core services will be maintained.
- CBH's medium term financial plan has been revised, identifying savings targets which will have to be achieved over the next four years.
- Long term viability has been reviewed using a range of assumptions for future rent increases, from CPI -1% to CPI +1% per annum.

5.5 The HRA budget proposals for 2016/17 form part of a four year plan put forward by CBH to mitigate the impact of rent reductions in the period to 31st March 2020 when the next review of the Government's social rent policy is anticipated. A summary of the plan is shown below:-

| Category | £'000 | £'000 |
|---|--------------|--------------|
| Efficiency savings in CBH management fee | 1,465 | |
| Service Improvements retained from Investment Pot 1 | -796 | |
| Net reduction in management fee | | 669 |
| | | |
| Efficiency savings in CBH maintenance service | | 1,026 |
| Re-alignment of the Capital Programme | | 2,707 |
| Use of HRA Reserves | | 2,208 |
| Reduction in the bad debt provision (arising from rent reduction) | | 128 |
| Reduction in interest receivable (lower reserves) | | -47 |
| Total Savings | | 6,691 |

5.6 Initial modelling of the potential impacts of future social rent policy post 2020 suggests:-

- Reversion back to a policy of annual increases above CPI should deliver increasing surpluses as anticipated in the original self-financing settlement, albeit delayed by the 4 year rent reductions. Within the long term plan existing debt of £45m could still be repaid leaving unallocated reserves of some £33m at year 30.
- Projections assuming future rent increases at the level of CPI (using 2% as the long term norm) show a further reduction of £87.5m in rent income compared to the figure identified in paragraph 3.2.2 above. This would be insufficient to accrue any significant reserves or repay debt. Further cost efficiencies would be required to retain long term viability and existing debt would need to be re-financed.
- An ongoing trend of rent increases below CPI would render the business plan unviable in the medium term without significant reductions to major repair expenditure and/or reduced levels of service.

6. 2016/17 Budget Proposal

- 6.1 The Government has confirmed proposals for social rent policy for the period April 2016 to March 2020. As detailed in paragraph 2 above rents will decrease by 1% in April 2016. The rent estimates assume a 1% void rate and 20 RTB sales in the year.
- 6.2 Estimates of service charge income currently assume no increase in grounds maintenance pending contract renewal. Charges for cleaning will rise by 2.8% whilst overall charges for power to communal areas are expected to be held at 2015/16 levels after a fixed tariff deal was agreed.
- 6.3 Following improvements to communal boilers and building insulation and the recent experience of milder winters it is proposed that fuel charges for communal gas heating will be reduced by 12.5% from April 2016.
- 6.4 The revenue impacts arising from new build expenditure have not yet been integrated into the budget but they will give a marginal benefit to resources in 2016/17.
- 6.5 Significant changes to the HRA (>£30,000) in 2016/17 as compared to the revised forecast for 2015/16 are itemised in the table below. There is a forecast surplus of £330,500 for the year which leaves revenue reserves at £6,187,400 at 31st March 2017.

| Budget Heading | Change in resources |
|---|---------------------|
| | £'000 |
| Revenue contributions to fund capital programme – this increase reflects the impact of delayed expenditure in 2015/16 moving into the 2016/17 programme (see paragraph 8.1 below) | -1,247 |
| Increase in CBH management fee (see full detail in paragraph 7.5 below) | -57 |
| Increase in repairs and maintenance (demand adjusted from 2015/16) | -164 |
| Increase in bad debt provision – impact of welfare reform | -50 |
| Depreciation – inflation offset by stock loss | -70 |
| Decrease in rents (rent reduction & stock loss) | -293 |
| Other (net) | 11 |
| Net decrease in resources | -1,870 |

7. Cheltenham Borough Homes (CBH)

- 7.1 The budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2016/17, which show a breakeven position on services provided to the Council.
- 7.2 Prior to the July 2015 Budget the HRA Business Plan included forecast CBH management fees totalling £21.3m over the four years from April 2016. As part of the plan to mitigate the impact of rent reductions (see paragraph 5.5) the company is proposing to reduce this cost by £1.465m over the period to March 2020. This is after allowing for pay awards and anticipated increases in national insurance and pension costs and will be achieved through a phased approach as follows:-
1. Identify immediate vacant roles which will not be filled.
 2. Review current management and other team structures to identify savings which can be implemented over the four year period.

3. Identify and implement efficiency savings as part of the service improvement programme already initiated by CBH. This will be achieved by streamlining business processes and improving related IT systems.

7.3 The three year period of service enhancements funded by the investment pot initiative ends in March 2016. In conjunction with CBC officers CBH has identified those that have achieved the greatest impact and should be absorbed into base budgets. These include:-

- Enhanced Benefit and Money Advice Service
- Additional Housing Revenues Officer
- Sheltered Hub & Activities Co-Ordinator
- Disability Hub
- Youth Café in St Pauls
- Expansion of Employment Initiatives Service
- Community Investment Grants

The total cost of these initiatives in 2016/17 is estimated at £205,000.

7.4 CBH budgets approved by their Board on 27th January 2016 show a net increase in management costs of £45,000 analysed as below:-

| | £'000 |
|--|--------------|
| Pay award and increase in national insurance contributions | 99 |
| Investment Pot services absorbed into base (as detailed above) | 205 |
| Planned Savings | (259) |
| Increase in net management costs | 45 |

7.5 These additional costs are reflected in an increase in the HRA management fee of £57,000 (1%) over the current year, partially offset by a decrease of £12,000 in fees to the capital programme.

7.6 The overall cost of repairs and maintenance has reduced by 0.3% in comparison to the original budget for 2015/16 to £4,139,000, again as part of a four year plan to reduce costs by £1.026m in comparison to previous estimates. This will be achieved by reviewing staffing structures, leaner processes and renegotiation of supplier and sub contract rates.

7.7 The cost of delivering the estate cleaning contract has risen by 2.8% (£9,000) which reflects the anticipated cost of the pay award and additional national insurance contributions.

The fee submission for the main areas of activity is shown below and compared with 2015/16.

| | 2015/16 | 2016/17 |
|---------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Management Fee | 5,085 | 5,142 |
| Management of Capital Programme | 636 | 624 |
| Block Cleaning Service | 313 | 322 |

8. Capital Programme

8.1 The revised capital programme for 2015/16 reflects the completion of schemes carried forward from the previous year as previously reported to Cabinet and further variations identified during the year. The reduction in forecast spend primarily relates to tendering delays for the major window and door replacement programme. This is now anticipated to start on site in April 2016.

- 8.2 The detailed capital programme for 2016/17 and indicative programmes for the following two years are shown at Appendix 4. These reflect the investment requirements identified in stock condition surveys and the proposals in the updated asset management strategy.
- 8.3 The proposed funding of the capital programme, together with a statement of balances on the major repairs reserve, is shown at Appendix 3. The main sources of funding remain the major repairs reserve and contributions from the revenue account. The Government's policy to stimulate RTB has increased the availability of capital receipts. An element of those receipts, which is attributable to the debt held on each sold property, can be used for any HRA purpose and is used to finance capital expenditure on the existing stock.
- 8.4 Receipts from non RTB disposals and those retained through the one for one replacement agreement with the Government are held separately for investment in new affordable housing.
- 8.5 Appendix 4 also gives estimates of new build expenditure and funding assumptions for the period to 31st March 2019. The first new build scheme, Garage Sites 2a delivering 10 units of affordable housing, started on site in October 2015 following Council approval. A number of other schemes are being developed by CBH under the scrutiny of the Joint Programme Group and will be brought forward for individual Council approval as necessary.
- 8.6 New build schemes will be financed from a combination of funding sources namely:-

| Funding Source | Estimated Available 2015/16 |
|---|--|
| | £'000 |
| Borrowing up to HRA debt cap | 8,112 |
| Right to Buy (RTB) retention receipts | 1,716 |
| Non RTB receipts from market disposals | 2,331 |
| Revenue contributions (through new build reserve) | 1,903 |
| Total | 14,062 |

- 8.7 The annual funding plans for new build expenditure will be determined by the Section 151 Officer ensuring maximum benefit and cost efficiency.

9. Reserves

- 9.1 The recommended minimum revenue balance to cover contingencies is £1.5m. This figure was determined in 2012 at the start of the self-financing regime and equates to approximately £330 per unit of stock which is very much in line with the sector norm. Key risks other than significant changes to Government policy primarily relate to property damage. The stock is insured for fire damage with the Council self-insuring against other perils. The three year projections forecast a reserve balance of £3.243m at 31st March 2019.

10. Conclusion

- 10.1 The potential benefits of the self-financing settlement have been significantly eroded by the change in the Government's social rent policy. It remains unclear whether the additional operating surpluses forecast in the previous 30 year business plan will be restored after 2020. Until there is more certainty about future rent levels it is recommended that focus should be concentrated on the medium term, ensuring that:-

- existing stock is maintained at the decent homes standard
- the improved level of tenant and leaseholder services is retained
- the Council can take advantage of opportunities to build new stock

CBH has brought forward a four year plan which will deliver these key objectives despite the significant reduction in forecast rent income.

11. Consultation process

11.1 The budget proposals have been endorsed by the Board of Cheltenham Borough Homes Ltd and presented to the Tenant Scrutiny Improvement Panel with no specific concerns being raised. No other responses have been received during the period of consultation.

| | |
|-------------------------------|---|
| Report author | <p>Steve Slater, Finance Director, Cheltenham Borough Homes</p> <p>Tel. 01242 264192;</p> <p>e-mail address steve.slater@cheltborohomes.org</p> |
| Appendices | <ol style="list-style-type: none"> 1. Risk Assessment 2. HRA Operating Account 3. Major Repairs Reserve and HRA Capital Programme (summary) 4. HRA Capital Programme (detail) 5. HRA Rents and Charges |
| Background information | <ol style="list-style-type: none"> 1. HRA 30 year Business Plan 2. CBH Budgets and Plans 2016/17 |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | |
|-----------|--|-------------|---------------|---|---|-------|---------------|--|----------|----------------------------------|------------------------------|
| Risk ref. | Risk description | Risk Owner | Date raised | I | L | Score | Control | Action | Deadline | Responsible officer | Transferred to risk register |
| 1.01 | If CBH are unable to deliver savings to offset lower income as a consequence of 4 year rent reductions | Pat Pratley | December 2015 | 5 | 3 | 15 | R | Implementation of savings plan will be closely monitored by CBH with periodic reports on progress being submitted to Council officers | Mar 2020 | CBH through management agreement | |
| 1.02 | If there is a further change to the Government's social rent policy that reduces anticipated rent income | Pat Pratley | December 2015 | 4 | 3 | 12 | R | Any additional loss of income will need to be mitigated by further savings | Mar 2020 | CBH through management agreement | |
| 1.03 | If welfare reforms have a greater impact on tenants than anticipated and planned for, it may increase the level of debt or impact on vulnerable families | Pat Pratley | December 2012 | 3 | 4 | 12 | R | The HRA budget includes specific resources to control rent arrears | Mar 2018 | CBH through management agreement | |
| 1.04 | If the compulsory sale of high value properties depletes significant numbers and specific types of stock | Pat Pratley | December 2015 | 4 | 3 | 12 | R | Further detail is awaited from Government on the implementation of this new initiative. It may be possible to apply for certain properties to be exempted. | Mar 2017 | CBH through management agreement | |
| 1.05 | If supporting people contracts are not renewed it could impact on the tenants in sheltered accommodation | Pat Pratley | December 2012 | 3 | 3 | 9 | R | A transitional contract has been agreed with the County Council until October 2016. An evaluation of alternative service and funding options is in progress as part of the overall review of service delivery in this area | Oct 2016 | Lead Commissioner Housing | |

| | | | | | | | | | | | |
|------|---|-------------|---------------|---|---|----|---|--|----------|---------------------------------------|--|
| | | | | | | | | | | | |
| 1.06 | If void rent loss is higher than estimated it will impact on assumed rent income in the HRA | Pat Pratley | December 2012 | 3 | 2 | 6 | R | Demand for social housing remains high with significant waiting list. Quality of accommodation needs to be maintained and changes in tenancy termination rates monitored | Mar 2017 | CBH through management agreement | |
| 1.07 | If the demand for reactive repairs increases there may be insufficient budget to meet demand | Pat Pratley | December 2012 | 4 | 3 | 12 | R | Maintain robust stock condition data. Major peril to the stock is fire which is covered by appropriate insurance. HRA reserves are maintained at a level considered sufficient for uninsured stock damage | Mar 2017 | CBH through management agreement | |
| 1.08 | If there is insufficient capacity to deliver the ambitious programme of building works then the programme may not be deliverable | Pat Pratley | December 2012 | 2 | 3 | 6 | R | The HRA budget includes specific resources to address capital programme works | Mar 2017 | CBH through management agreement | |
| 1.09 | If the capital receipts held from RTB sales under the retention agreement with DCLG are not used within 3 years of receipt they are repayable with interest to the Government | Pat Pratley | December 2013 | 3 | 2 | 6 | R | New build programme has commenced on site, officers are monitoring spend against that required to retain receipts. Cabinet has approved an alternative strategy of acquiring property to eliminate potential repayment | Mar 2018 | CBC/CBH via the Joint Programme Group | |

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HRA OPERATING ACCOUNT

| | 2015/16 | | 2016/17 | 2017/18 | 2018/19 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Original £ | Revised £ | Budget £ | Projections £ | Projections £ |
| <u>EXPENDITURE</u> | | | | | |
| General & Special Management | 2,054,100 | 2,081,400 | 2,097,900 | 2,114,800 | 2,125,000 |
| ALMO Management Fee | 5,085,000 | 5,085,000 | 5,142,000 | 5,127,000 | 5,152,000 |
| Rents, Rates, Taxes and Other Charges | 79,100 | 60,000 | 60,000 | 60,000 | 60,000 |
| Repairs & Maintenance | 4,150,000 | 3,975,000 | 4,139,000 | 4,130,000 | 4,140,000 |
| Provision for Bad Debts | 200,000 | 150,000 | 200,000 | 280,000 | 325,000 |
| Interest Payable | 1,684,700 | 1,684,700 | 1,684,700 | 1,684,700 | 1,684,700 |
| Depreciation of Dwellings | 5,382,400 | 5,336,500 | 5,395,200 | 5,481,900 | 5,604,900 |
| Depreciation of Other Assets | 151,900 | 168,700 | 179,800 | 188,700 | 197,400 |
| Debt Management Expenses | 79,000 | 79,000 | 79,800 | 80,600 | 81,400 |
| TOTAL | 18,866,200 | 18,620,300 | 18,978,400 | 19,147,700 | 19,370,400 |
| <u>INCOME</u> | | | | | |
| Dwelling Rents | 19,206,100 | 19,215,200 | 18,922,000 | 18,667,600 | 18,432,500 |
| Non Dwelling Rents | 428,200 | 419,300 | 422,000 | 426,200 | 431,100 |
| Charges for Services and Facilities | 835,600 | 826,400 | 835,100 | 849,200 | 878,500 |
| Supporting People Grant | 90,000 | 93,000 | 90,000 | 90,000 | 90,000 |
| Feed in Tariff from PV Installations | 178,000 | 195,100 | 205,100 | 210,200 | 215,500 |
| TOTAL | 20,737,900 | 20,749,000 | 20,474,200 | 20,243,200 | 20,047,600 |
| NET INCOME FROM SERVICES | 1,871,700 | 2,128,700 | 1,495,800 | 1,095,500 | 677,200 |
| Amortised Premiums/Discounts | 10,100 | 10,100 | 7,300 | - | - |
| Interest Receivable | 48,200 | 62,000 | 74,000 | 65,000 | 50,000 |
| NET OPERATING INCOME | 1,930,000 | 2,200,800 | 1,577,100 | 1,160,500 | 727,200 |
| <u>Appropriations</u> | | | | | |
| Revenue Contributions to Capital | -753,700 | - | -1,246,600 | -2,490,400 | -2,423,700 |
| HRA Surplus/(Deficit) carried to reserves | 1,176,300 | 2,200,800 | 330,500 | -1,329,900 | -1,696,500 |
| Revenue Reserve brought forward | 2,358,800 | 3,656,100 | 5,856,900 | 6,187,400 | 4,857,500 |
| Revenue Reserve carried forward | 3,535,100 | 5,856,900 | 6,187,400 | 4,857,500 | 3,161,000 |

| | | | | |
|----------------------------|--------------|---------------|---------------|---------------|
| Average Rent:- | | | | |
| Change at 1st April | | -1.00% | -1.00% | -1.00% |
| 48 wk | 89.25 | 88.36 | 87.48 | 86.61 |
| 52 wk | 82.38 | 81.56 | 80.75 | 79.95 |
| Average stock | 4,522 | 4,503 | 4,483 | 4,471 |

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MAJOR REPAIRS RESERVE

| | 2015/16 | | 2016/17 | 2017/18 | 2018/19 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Original £ | Revised £ | Estimate £ | Projections £ | |
| Balance brought forward | - | - | 747,400 | - | - |
| Depreciation of Dwellings | 5,382,400 | 5,336,500 | 5,395,200 | 5,481,900 | 5,604,900 |
| Depreciation of Other Assets | 151,900 | 168,700 | 179,800 | 188,700 | 197,400 |
| | <u>5,534,300</u> | <u>5,505,200</u> | <u>6,322,400</u> | <u>5,670,600</u> | <u>5,802,300</u> |
| Utilised to fund Capital Programme | -5,534,300 | -4,757,800 | -6,322,400 | -5,670,600 | -5,802,300 |
| Balance carried forward | <u>-</u> | <u>747,400</u> | <u>-</u> | <u>-</u> | <u>-</u> |

HRA CAPITAL PROGRAMME (EXISTING PROPERTIES)

| | 2015/16 | | 2016/17 | 2017/18 | 2018/19 |
|---|------------------|------------------|------------------|------------------|------------------|
| | Original £ | Revised £ | Estimate £ | Projections £ | |
| <u>EXPENDITURE</u> | | | | | |
| Property Improvements & Major Repairs (see detail at Appendix 4) | 6,178,000 | 4,947,800 | 7,759,000 | 8,201,000 | 8,066,000 |
| Adaptations for the Disabled | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| Environmental Works (Tenant Selection) | 60,000 | 60,000 | 10,000 | 10,000 | 10,000 |
| Repurchase of Shared Ownership Dwellings | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | <u>6,688,000</u> | <u>5,457,800</u> | <u>8,219,000</u> | <u>8,661,000</u> | <u>8,526,000</u> |
| <u>FINANCING</u> | | | | | |
| Capital Receipts | 400,000 | 450,000 | 450,000 | 300,000 | 100,000 |
| HRA Revenue Contribution | 753,700 | - | 1,246,600 | 2,490,400 | 2,423,700 |
| Leaseholder Contributions | - | 250,000 | 200,000 | 200,000 | 200,000 |
| Major Repairs Reserve | 5,534,300 | 4,757,800 | 6,322,400 | 5,670,600 | 5,802,300 |
| | <u>6,688,000</u> | <u>5,457,800</u> | <u>8,219,000</u> | <u>8,661,000</u> | <u>8,526,000</u> |

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| PROPERTY IMPROVEMENT & MAJOR WORKS | | | | |
|--|------------------|------------------|------------------|------------------|
| Description of works | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| EXTERNAL IMPROVEMENTS | 1,113,000 | 705,000 | 864,000 | 854,000 |
| INTERNAL IMPROVEMENTS | 326,000 | 352,000 | 352,000 | 352,000 |
| PATHS, FENCES & WALLS | 57,600 | 270,000 | 270,000 | 270,000 |
| WORKS TO BUILDING FABRIC | 200,000 | 150,000 | 150,000 | 150,000 |
| PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES | 457,100 | 75,000 | 75,000 | 75,000 |
| RENEWAL OF HEATING SYSTEMS | 540,000 | 747,000 | 751,000 | 773,000 |
| MAJOR REFURBISHMENTS TO VOID PROPERTIES | 398,000 | 475,000 | 475,000 | 475,000 |
| WINDOWS & DOORS | 88,600 | 3,377,000 | 3,468,000 | 3,488,000 |
| ASBESTOS | 125,000 | 92,000 | 82,000 | 80,000 |
| SHELTERED ACCOMMODATION | 59,300 | 30,000 | 30,000 | 30,000 |
| NEIGHBOURHOOD WORKS | 433,500 | 200,000 | 200,000 | - |
| DOOR ENTRY SCHEMES | 88,200 | 55,000 | 55,000 | 55,000 |
| STRUCTURAL WORKS | 97,300 | 100,000 | 100,000 | 100,000 |
| COMMUNAL LIGHTING | - | 173,000 | 74,000 | 96,000 |
| FIRE PROTECTION | 98,000 | 70,000 | 70,000 | 70,000 |
| LIFTS | 17,300 | 65,000 | 160,000 | - |
| SCOOTER STORES | 43,800 | - | - | - |
| INTERNAL COMMUNAL IMPROVEMENTS | 67,000 | - | - | - |
| GARAGE IMPROVEMENTS | 130,900 | 25,000 | 25,000 | 25,000 |
| COMMERCIAL PROPERTIES | 30,700 | - | - | - |
| FEE FOR MANAGING PROGRAMME | 576,500 | 624,000 | 636,000 | 643,000 |
| CONTINGENCY | - | 174,000 | 364,000 | 530,000 |
| TOTAL BUDGET FOR EXISTING PROPERTIES | 4,947,800 | 7,759,000 | 8,201,000 | 8,066,000 |

| NEW BUILD | | | | |
|--|------------------|------------------|------------------|----------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| COUNCIL APPROVED GARAGE SITES 2A | 555,700 | 1,041,700 | 18,600 | - |
| SCHEMES SUBJECT TO TENDER & COUNCIL APPROVAL CURRENT ESTIMATE FOR PIPELINE SCHEMES | 766,300 | 2,988,800 | 3,368,500 | 442,100 |
| TOTAL ESTIMATE FOR NEW BUILD | 1,322,000 | 4,030,500 | 3,387,100 | 442,100 |

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HOUSING REVENUE ACCOUNT - RENTS & CHARGES

| | 2015/16 | 2016/17 |
|--|----------------|----------------|
| | £ | £ |
| Dwelling Rents (average) | | |
| 48 wk basis | 89.25 | 88.36 |
| 52 wk basis | 82.38 | 81.56 |
| Garages (per month) | 28.05 | 28.33 |
| Communal Heating Schemes (52 wk basis) | | |
| Gas | | |
| 1 person flat | 7.90 | 6.91 |
| 2 person flat | 10.65 | 9.32 |
| Cumming Court 1 person flat | 4.88 | 5.12 |
| 2 person flat | 6.71 | 7.05 |
| Guest Bedrooms (per night) | 10.00 | 10.00 |

Cheltenham Borough Council

Cabinet – 9 February 2016

Budget Monitoring Report 2015/16 – position as at December 2015

| | |
|--|---|
| Accountable member | Councillor John Rawson, Cabinet Member for Finance |
| Accountable officer | Paul Jones, Section 151 Officer |
| Accountable scrutiny committee | All |
| Ward(s) affected | All |
| Key Decision | Yes |
| Executive summary | To update Members on the Council's current financial position for 2015/16 based on the monitoring exercise at the end of December 2015. The report covers the Council's revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2015/16 original budget and areas with volatile income trends. |
| Recommendations | <ol style="list-style-type: none"> 1. Cabinet note the contents of this report including the key projected variances to the 2015/16 budget and the expected delivery of services within budget. 2. Cabinet approve the budget virements to the 2015/16 budget, as detailed in Appendix 6. |
| Financial implications | As detailed throughout this report. Contact officer: Nina Philippidis nina.philippidis@cheltenham.gov.uk, Business Partner Accountant 01242 264121 |
| Legal implications | None specific directly arising from the recommendations. Contact officer: Peter Lewis, Peter.Lewis@tewkesbury.gov.uk, 01684 272695 |
| HR implications (including learning and organisational development) | The Council continues to monitor vacancies and recruitment. All recruitment activity decisions are based on a business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied. In addition, the Council also continues to monitor its capacity to deliver on key projects with regular updates being provided to the Operational Programme Board on a quarterly basis. Contact officer: Julie McCarthy , julie.mccarthy@cheltenham.gov.uk, 01242 264355 |
| Key risks | As outlined in Appendix 1. |

| | |
|--|---|
| Corporate and community plan Implications | Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan. |
| Environmental and climate change implications | None. |

1. Background

- 1.1 This report provides the third monitoring position statement for the financial year 2015/16. The purpose of this report is to notify members of any known significant variations to budgets for 2015/16 and highlight any key issues, allowing Members to take action if required.
- 1.2 GO Shared Services carry out a regular budget monitoring exercise for services in liaison with Directors and cost centre managers. This identifies any major variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the original budget for 2015/16 agreed by Council on 13th February 2015, subject to any amendments made under delegated powers (for example supplementary estimates, virement, etc). Possible significant variations to revenue budgets are outlined in this report.

2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified at this stage in the financial year, projecting the position to the end of the financial year for all budget variances in excess of £50,000 and areas with volatile income trends, details of which are provided in paragraphs 2.2 to 4.1

| Significant budget variances | Overspend / (Underspend)£ | para. ref: |
|---|---------------------------|-------------|
| | | |
| Deputy Chief Executive's Directorate | | |
| Recycling – shortfall in income | 279,400 | 2.13 |
| Trade refuse – shortfall in income | 62,000 | 2.14 |
| Ubico – cost savings & efficiencies | (114,000) | 2.15 |
| Ubico – 2014/15 underspend | (163,600) | 2.16 |
| Total Deputy Chief Executive's Directorate | 63,800 | |
| | | |
| Environment & Regulatory Services | | |
| Joint Core Strategy | 40,000 | 2.10 – 2.12 |
| Off Street Car Parking – surplus on income | (330,000) | 2.4 – 2.7 |
| Transfer to Reserves – Car Parking Equalisation | 330,000 | 2.8 |
| Off Street Car Parking & Crematorium – Business Rates | (141,800) | 2.9 |
| Total Environment & Regulatory Services | (101,800) | |
| | | |
| Business Rates Retention | | |
| Net increase in Business Rates | (586,000) | 2.21 |
| Transfer to Reserves- Business Rates Retention | 586,000 | 2.22 |
| Total Business Rates | - | |
| | | |

| | | |
|---|------------------|------------|
| Savings from employee costs | (210,900) | 2.2 |
| Tourism Strategy – transfer to Economic Development & Tourism Reserve | 50,000 | 2.3 |
| Total Employee Savings | (160,900) | |
| | | |
| Treasury Management | (31,500) | 3.1 |
| | | |
| Surplus 2014/15 carry forwards | (41,000) | 4.1 |
| | | |
| Other – net over spends | (36,500) | Appendix 6 |
| | | |
| Total projected under spend for year | (307,900) | |
| Transfer to Budget Strategy Support Reserve | 307,900 | |
| Total Forecast Outturn | - | |

Savings from employee costs

- 2.2** The 2014/15 base budget included a target of £350,000 from employee related savings to be made throughout the Council during the year. This target has been embedded within individual service budgets, as part of the 2015/16 original budgets, allocated in proportion to existing service salary budgets. This improves accountability and budget monitoring within council services. An assessment of vacant posts (i.e. staff turnover) and restructures in the first ten months of the year indicate that this target is likely to be over-achieved for the financial year with £210.1k achieved in excess of the overall £350k target in the period up to 31st January 2016.
- 2.3** Included within the £210.1k is a £62k staff turnover saving from the Business Improvement team. It is proposed to earmark £50k of this for the required Tourism Strategy work and as such will be transferred to the Economic Development & Tourism Reserve.

Off-street Car Parking Income

- 2.4** The income position for off-street car parking to the end of December is overachieving by around £295k, which equates to 13% in excess of profiled budget. This relates to off-street car parking income only; fine income is marginally down against target to date and this is forecast to result in a shortfall against budget of £4.6k by year end.
- 2.5** A target of £200k per annum for displaced car parking income following the sale of North Place and Portland Street Car Parks was included in 2015/16 base budgets. At this time it was not possible to make any more scientific estimation as to how parking trends may be affected but it was anticipated this would be monitored and amended accordingly as more data became available. Forecasting current trends at each car park using the last nine months performance, it is estimated that overall car parking income should over achieve by £330k (net of the £200k displacement target).
- 2.6** This is a significant improvement on the original forecast of £128k surplus reported to Cabinet in October. The average car parking fees collected across October to December exceeded the average across April to September by c. £52k each month. Furthermore the original forecast had made allowance for any poor weather conditions across the Christmas period which can heavily

impact on car parking revenue. However, as the weather during this period has been mild, car parking fees have remained buoyant.

- 2.7 Using prudent forecasting to the end of the financial year, it is estimated the current £295k surplus will extend to c.£330k inclusive of unbudgeted parking permit income generated by Chelt Walk Car Park.
- 2.8 The Council had intended to fund £335,800 of car parking income in 2015/16 from its Car Parking Equalisation Reserve which was set up to cover the shortfall in car parking income arising from the delay between North Place Car Park closing for redevelopment and the developers, Augur Buchler, returning a 300 space public car park to the Council. As members are already aware, the site development has been delayed and the outcome is pending following the outcome of Augur Buchler's legal dispute with Morrisons. However, based on the current forecasts the amount to be funded from the Car Parking Equalisation Reserve will be reduced to £5,800 in 2015/16 allowing £330k to remain in the reserve which will provide a cushion for future fluctuations in car parking revenue.

Business Rates – Off Street Car Parking & Crematorium

- 2.9 Historical Rateable Value (RV) reviews of North Place Car Park and Cheltenham Crematorium have been undertaken resulting in a reduction in the RV and a backdated one-off refund of £141,800 (net of agents' fees) following the Valuations Office Agency assessment.

Joint Core Strategy

- 2.10 The budget monitoring report to 30th September identified an increasing pressure on the Joint Core Strategy Programme costs. The ongoing need to further support the process with consultancy advice, legal support as well as the extension of the examination had resulted in a further request for funding of £40,000 per Council being made.
- 2.11 The original budget was based upon a 2 stage examination process which has now become 4 stages and the Inspector has asked for further work, including an updated retail study, further OAN analysis, an economic strategy and needs analysis, and Strategic Housing Market Assessment. This has the impact of all costs increasing – consultancy support, legal support and Inspector's costs.
- 2.12 With delays to transport modelling evidence, the latter stage of the examination and the subsequent consultation will now continue into 2016/17 which has resulted in further budgetary provision being made available in the final budget for 2016/17.

Recycling Collection Schemes

- 2.13 As previously reported, income levels continue to be lower than anticipated. This is due partly to significant fluctuations in the prices received for recyclates because of global events such as the drop in the price of crude oil and the slowdown in the Chinese economy. Another factor is the withdrawal of the County Council contribution to the food waste transfer as this now goes to Bishops Cleeve instead of Dymock. However, the costs of transfer have conversely been reduced as a result of this change and this is referenced in 2.15 below. Total income shortfall for recycling is estimated at £279.4k for the year.

Trade Refuse

- 2.14 Income levels are lower than estimated as volumes have continued to decline due to fewer businesses taking up the service. As a result, a potential income shortfall of £62k for 2015/16 continues to be reported.

Ubico Limited – efficiencies

- 2.15** There is a forecast reduction in costs for Ubico on fuel and food waste disposal, together with other cost efficiencies and likely surplus redistribution to the commissioning partner authorities. Total savings are estimated at £114k.

Ubico Limited – 2014/15 underspend

- 2.16** A late adjustment to the 2014/15 audited accounts for Ubico Limited has resulted in one-off income of £163.6k being due to Cheltenham Borough Council in 2015/16, in respect of its remaining share of the Ubico surplus for 2014/15. This has arisen from the treatment of pensions of the last two financial years.
- 2.17** The budgetary pressures on waste and recycling services have been captured in the Council's revised Medium Term Financial Strategy 2015/16 to 2019/20 as this reflects a permanent downturn in achievable income levels and must be addressed as such.

Business Rates Retention

Pre-pool position:

- 2.18** The budget for 2015/16 included net retained income for business rates of £3.770 million. A revised mid-year estimate of the non-domestic rating income has been undertaken which shows a reduction in the Council's estimated share of the income of £809,000. This is due to temporary retail closures arising from town centre redevelopments and to large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health/medical centres (which are backdated several years), as a result of a change in the valuation methodology. Due to government regulations, this reduction will impact in 2016/17.
- 2.19** However, the levy payable to government is reduced by an estimated £383,000. Section 31 grant, which compensates the Council for additional reliefs introduced by the government, is also estimated to increase by around £41,000, giving total additional income of £424,000 receivable in 2015/16.
- 2.20** Therefore it is proposed that the additional income of £424,000 in 2015/16 is transferred to the Business Rates Retention Reserve in 2015/16 to help offset the reduction of £809,000 in 2016/17, as per paragraph 2.22 below.

Post-Pool position:

- 2.21** The reduced estimated income is likely to be compensated by the Gloucestershire Business Rates Pool, which should reduce the levies payable to the government in 2015/16. These potential levy reductions have not previously been included in the budget due to their being dependant on the income generating performance of the other authorities in the Pool, which is very difficult to predict and over which this Council has no control. Assuming the Pool performs as expected, however, it could reduce the levies payable in 2015/16 by around £162,000. This reduction, together with the £424,000 reduction detailed in paragraph 2.20, results in a total reduction of £586,000 in 2015/16 which is recommended to be transferred to the Business Rates Retention Reserve, to offset the reduction in income in 2016/17.

Use of Reserves

- 2.22 Financial rule B11.4 provides the Section 151 Officer with delegated authority to approve in year transfers to and from earmarked reserves to support the activities of the Council. In light of the above, the Section 151 Officer recommends that a transfer of the £586,000 additional retained business rates income in 2015/16 to the Business Rates Retention Reserve, to part fund the reduction in income in 2016/17, as detailed in paragraph 2.21.

3. Treasury Management

- 3.1 Since the budget monitoring report to 30th September, investment income has marginally improved further and is likely to show a surplus of £31.5k against the 2015/16 budget.

4. 2014/15 Carry Forwards

- 4.1 Executive Board have undertaken a thorough review of the 2014/15 approved carry forwards and have proposed that carry forwards totalling £41,000 are no longer required and should be used to further strengthen the Council's Budget Strategy Support Reserve.

5. Capital

- 5.1 A detailed exercise has been carried out to ensure that capital schemes, approved by Council on 13th February 2015, are being delivered as planned within allocated capital budgets. The monitoring position at 31st December is included as Appendix 2 to this report.

- 5.2 An update on the capital schemes focussed on public realm improvements has been provided to show how the delivery of the schemes has progressed since the capital budgets were initially approved.

5.3 Creative Hub (St. Mary's Churchyard)

This project was originally conceived as holistic although it was always recognised that it would need considerable partnership funding to deliver the whole ambition. The £50k allocation could only ever deliver specific elements and act as a matched funding pot. Some delays, occasioned by longer than anticipated, but successful negotiations to find a resolution to the collapsed wall to the North West and the car parking needs meant that attention was diverted to a subset of the project, the Minster alleyways scheme which is live and scheduled to start on site in May 2016. This will account for c£25k and it is proposed that the remainder be retained as the hook for exploring funding with partners such as Heritage Lottery Fund and Gloucestershire Environmental Trust.

5.4 Sherborne Place Car Park

When it became clear that North Place Car Park was to be closed, an allocation of £100k was made in case adjustments were needed to support coach parking in the town. There was a concern that out-of-town coaches would cease visiting the town, although it was also noted that local service buses also regularly used the North Place facility. Sherborne Place as one of the surface car parks closest to the High Street was the subject of various remodelling exercises but as a result of site constraints and the configuration of the car park, bus parking would have resulted in the loss of nearly half of the existing capacity so it was decided to better manage and utilise the existing capacity at Royal Well for both out-of-town and local services, with support from the town centre manager.

This approach has been further bolstered by the decision and funding to remove the last of the concrete shelters and replace with light weight shelters, potential coffee pod and tourist information point – work scheduled to begin early in 2016.

For this reason the £100k allocation linked to Sherborne Place is no longer required. However, now that the Cheltenham Transport Plan and other resultant decisions e.g. John Lewis have

become clear, it is proposed to bring forward a bid to redeploy this funding to support works associated with these major projects.

5.5 Promenade Upgrade

There have been various components to this upgrade. The Southern Promenade was split into several phases. Phase 1 saw the Queens Hotel to Quadrangle area improved, Phase 2 LK Bennett to Beards, Phase 3 the outer element of the Long Gardens, with the exception of the area fronting Neptune's Fountain, which was subject to contractor delay and then caught up in the change of term contractor by GCC, although CBC has purchased the York stone for this section.

The last phase (4) from Neptune's Fountain back to the Queens is currently in abeyance as it has been agreed with GCC to focus attention on other elements of the public realm as the opportunity has arisen, so the summer/autumn 2015 saw the extension of the works delivered by Brewery II extended up to (but not including) Boots Corner.

The pedestrianised Promenade has a scheme prepared and an early result has been the refurbishment of the phone boxes (with additional funding from the public art panel). Funding remaining is to be retained in order to match GCC funding for non-maintenance items when the opportunity arises; thus GCC will fund items such as slab replacement and repointing while CBC will fund seating and tree pit improvements.

6. Programme maintenance expenditure

- 6.1** A detailed exercise has been carried out to ensure that programme maintenance work, approved by Council on 13th February 2015, is being delivered as planned within the allocated budgets. The monitoring position at 31st December is included as Appendix 3 to this report. Any slippages in schemes or underspend against budget will be transferred to the Programme Maintenance reserve at the year end, to fund future programme maintenance expenditure.

7. Housing Revenue Account (HRA)

- 7.1** The HRA budget for 2015/16, approved in February 2015, showed a surplus of £1,176,300 for the year which would result in a balance of £3,535,100 to be carried forward in revenue reserves at 31st March 2016.
- 7.2** Variations to the budget for the current year following completion of the final accounts for 2014/15 were reported to Cabinet in July:
- 7.3** The outturn position for 2014/15 showed an increased level of reserve at 31st March 2015 of £3,656,100 (previously estimated at £2,358,800).
- 7.4** Capital expenditure totalling £304,000, originally programmed for 2014-15, was delayed into 2015/16 increasing the budget for current year to £6,992,000 (excluding new build). Funding for that expenditure was carried forward in the revenue reserve.

Further significant variations to revenue and capital budgets identified to 31st December 2015 are detailed below:

Housing Revenue Account (HRA) - Revenue

- 7.5** Expenditure on repairs and maintenance for the year is currently forecast at £3,975,000 a reduction of £175,000 in comparison to budget. There has been relatively mild weather in the year to date with a consequential reduction in demand. This revised estimate could still be impacted by severe weather issues in the final quarter.
- 7.6** Provision for bad debts can be reduced by £50,000 to £150,000 – rent arrears are lower than

anticipated reflecting delays in the implementation of welfare reform and the allocation of additional resources to mitigate the impact.

Housing Revenue Account (HRA) – Capital

- 7.7** As detailed above the revised budget for capital expenditure for the year is £6,992,000. The current forecast for expenditure is £5,459,000, a potential reduction of £1,533,000 against that budget. This is primarily due to the revision of three projects, namely:

Windows & Doors Replacement (£1,000,000)

- 7.7.1** This contract was originally anticipated to start in the second half of the financial year for a period of four years. Following the summer budget proposals announced by the Chancellor of the Exchequer a substantive review of the capital programme has been undertaken and it is now proposed to reschedule this major contract to six years. This has required a re-advertisement for expressions of interest to conform to European legislation. Although significant preparatory work has been completed, start on site will be delayed until the first quarter of 2016/17.

Energy Saving Measures (£300,000)

- 7.7.2** Work is ongoing to identify a cost effective solution for external wall insulation to Australia House and Canberra House. This also requires negotiations with leaseholders in the blocks. These works will not be started within this financial year.

Replacement Fire Doors & Alarms – Sheltered Schemes (£200,000)

- 7.7.3** Works to commence in 2016-17 as part of the major contract described in 7.7.1 above.
- 7.7.4** The revenue consequence of the reduction in capital expenditure is that the revenue contribution of £754,000 in the original budget is now no longer required in 2015/16. These resources will be carried forward in reserves to fund the projects in 2016/17.

HRA General Reserve

- 6.8** The impact of the variations detailed above (and other minor variations) is to increase the forecast surplus for the year by £1,024,500 to £2,200,800 leaving a balance of £5,856,900 in reserves at 31st March 2016.

8. Council tax and Business rates collection

- 8.1** The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 4. This shows the position at the end of December 2015 and the projected outturn for 2015/16.

9. Sundry debt collection

- 9.1** The monitoring of aged sundry debts and recovery is shown at Appendix 5.

10. Conclusion

- 10.1** The net effect on the general fund of the variances reported above is that there may be a net underspend against the budget of £307,900 for 2015/16. It is proposed that a contribution of £307,900 be made to the Budget Strategy (Support) Reserve, based on the position at the end of

December 2015. It is recommended that Cabinet make this formal request for Council approval as part of the budget setting process for 2016/17 at its meeting on 12th February 2016.

- 10.2** The continued impact of the changes in government funding arrangements and the economic climate present particular concerns for the Council’s budgets. It is clearly important to ensure that budgets continue to be closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the Council delivers services within budget.
- 10.3** It will be for Cabinet and Council to decide in July 2016, when outturn is finalised, how to apply any further potential savings. However it is recommended that any further underspend identified on outturn be transferred firstly to the Budget Deficit (Support) Reserve and secondly to support general balances, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding future budget funding gaps, as outlined in the Council’s Medium Term Financial Strategy and the Cabinet budget setting report dated 9th February 2016 .

11. Consultation

- 11.1** The work undertaken to produce this report has involved consultation with a wide number of services and cost centre managers.

| | |
|-------------------------------|--|
| Report author | Contact officer: Nina Philippidis nina.philippidis@cheltenham.gov.uk, 01242 264121 |
| Appendices | <ol style="list-style-type: none"> 1. Risk Assessment 2. Capital Budget Monitoring to 31st December 2015 3. Programme Maintenance Budget Monitoring to 31st December 2015 4. Council Tax and NNDR collection to 31st December 2015 5. Aged Debt Report as at 31st December 2015 6. Budget Virements for approval – 2015/16 budget |
| Background information | <ol style="list-style-type: none"> 1. Section 25 Report – Council 123th February 2015 2. Final Budget Proposals for 2015/16 – Council 13th February 2015 |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | |
|-----------|--|------------|--------------|---|---|-------|---------------|---|---------------|-----------------------|------------------------------|
| Risk ref. | Risk description | Risk Owner | Date raised | I | L | Score | Control | Action | Deadline | Responsible officer | Transferred to risk register |
| 1. | If we are unable to take corrective action in respect of reduced income streams then there is a risk that Council will not be able to deliver its budget | Cabinet | June 2010 | 3 | 3 | 9 | Reduce | In preparing the budget for 2016/17, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council. | December 2016 | SLT | Corporate Risk Register |
| 2. | If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the Council's Medium Term Financial Strategy. | Cabinet | October 2015 | 3 | 3 | 9 | Reduce | In preparing the budget for 2016/17 and in ongoing budget monitoring, consideration will be given to the use of fortuitous windfalls and potential future under spends with a view of strengthening reserves whenever possible. | June 2016 | Chief Finance Officer | Corporate Risk Register |

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;

- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on.

| Code | Fund | Scheme | Scheme Description | Budget 2015/16 | Revised Budget 2015/16 | Expenditure to 31/12/15 | Variance | Budget 2016/17 | Budget 2017/18 | Narrative |
|--------|--------|---------------------------------|--|----------------|------------------------|-------------------------|-----------|----------------|----------------|--|
| | | | | £ | £ | £ | £ | £ | £ | |
| | | RESOURCES | | | | | | | | |
| | | Property Services | | | | | | | | |
| CAP001 | PPMR | Cremators | New cremators | | 59,700 | 44,723 | 14,977 | | | 2015-16 relates to feasibility study fees and ongoing cremator related equipment replacement costs, including stamp duty Works to progress at the beginning of 2016. |
| CAP401 | PB/GCR | Town Centre acquisitions | Acquisition of Delta Place | | 13,750,000 | 14,323,272 | (573,272) | | | |
| CAP401 | PB/GCR | Town Centre acquisitions | Acquisition of Shopfitters | | 432,300 | 13,329 | 418,971 | | | |
| | | Financial Services | | | | | | | | |
| CAP010 | C | GO ERP | Development of ERP system within the GO Partnership | | 14,700 | 2,640 | 12,060 | | | Upgrade due end of January 2016 |
| | | ICT | | | | | | | | |
| CAP026 | C | IT Infrastructure | 5 year ICT infrastructure strategy | 275,600 | 746,400 | 448,136 | 298,264 | | | Includes additional £276,000 approved July 2015 and likely to be fully expended by the end of the financial year. |
| CAP026 | C | IT Infrastructure | Capitalisation of UNIFORM | 104,000 | 0 | | | | | |
| | | WELLBEING & CULTURE | | | | | | | | |
| | | Parks & Gardens | | | | | | | | |
| CAP101 | S106 | S.106 Play area refurbishment | Developer Contributions | 50,000 | 65,900 | 2,440 | 63,460 | 50,000 | 50,000 | To be spent in 2015-16 |
| CAP102 | GCR | Play Area Enhancement | Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards | 80,000 | 95,100 | 41,127 | 53,973 | 80,000 | 80,000 | £40k to be carried forward to 2016-17 to support Pittville Park scheme |
| CAP125 | GCR | Pittville Park play area | Investment in the play area | | 300,000 | 0 | 300,000 | | | £200k due to be spent in 2015-16 with completion due in 2016-17. £20k due to be spent 15-16, further expenditure pending outcome of Allotment Strategy and understanding of allotment provision requirements. |
| CAP501 | GCR | Allotments | Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure. | | 591,400 | 8,503 | 582,897 | | | Final payment, to be funded by external contributions |
| CAP106 | P | Pittville Gates | Restoration of Pittville Gates - Partnership Funding | | | 5,225 | | | | |
| | | Cultural Services | | | | | | | | |
| CAP126 | GCR | Town Hall redevelopment scheme | Preliminary work, subject to Council approving a detailed scheme and a business case | | 400,000 | 0 | 400,000 | | | CBC contribution to a larger scheme, preliminary work on scoping out the development brief for consultancy support has been made. |
| CAP124 | GCR | Town Hall Chairs | Replacement of Town Hall chairs on a like for like basis | | 80,000 | 0 | 80,000 | | | Purchase due in final quarter of 2015-16, order has been placed. |
| | | Recreation | | | | | | | | |
| CAP112 | C | Carbon reduction scheme | Replacement of Pool Hall lighting to LEDs at Leisure@ | | 30,000 | 0 | 30,000 | | | |
| | | BUILT ENVIRONMENT | | | | | | | | |
| | | Integrated Transport | | | | | | | | |
| CAP152 | CPR | Civic Pride - Promenade Upgrade | Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone. | | 65,800 | 7,516 | 58,284 | | | Order for works has been placed |
| CAP152 | S106 | Civic Pride - Promenade Upgrade | Public Art - Promenade | | 22,000 | 0 | 22,000 | | | |
| CAP153 | CPR | Civic Pride | Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use. | | 100,000 | 0 | 100,000 | | | No longer required. |
| CAP154 | CPR | Civic Pride - Creative Hub | Scheme for St.Mary's churchyard | | 45,300 | 1,502 | 43,798 | | | |
| CAP154 | S106 | Civic Pride - Creative Hub | Public Art - St Mary's churchyard | | 20,000 | 0 | 20,000 | | | |
| CAP155 | S106 | Pedestrian Wayfinding | GCC Pedestrian Wayfinding | | 27,500 | 2,575 | 24,925 | | | |
| CAP156 | S106 | Hatherley Art Project | Public Art - Hatherley | | 7,800 | 1,970 | 5,830 | | | |
| CAP204 | CPR | Civic Pride | Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration. | | 134,200 | 18,740 | 115,460 | | | |
| CAP201 | GCR | CCTV in Car Parks | Additional CCTV in order to improve shopping areas and reduce fear of crime | 50,000 | 265,000 | 0 | 265,000 | 50,000 | 50,000 | Covers upgrade from digital to fibre optic. Scheme on hold but being surveyed to assess cost of upgrade. |
| CAP202 | GCR | Car park management technology | The upgrade of the car park management technology at selected sites such as Regent Arcade is essential as the existing management systems and hardware have now reached the end of their life cycle. | | 37,100 | 0 | 37,100 | | | Upgrade of the machines in Regent Arcade, out to tender and due for implementation quarter 4 2015-16. See also CAP206 |
| CAP205 | GCR | Public Realm Improvements | High Street & Town Centre public realm improvement including repaving work in the High Street and town centre | 317,300 | 561,700 | 10,551 | 551,149 | | | A range of schemes is being planned but phasing yet to be determined. |
| CAP206 | GCR | Car Park Investment | New car park machines to allow additional functionality to be introduced for the benefit of customers | | 250,000 | 5,000 | 245,000 | | | Linked to car park strategy, and reverting to 'pay on foot' system in Regent Arcade. See also CAP202 |

| Code | Fund | Scheme | Scheme Description | Budget 2015/16 | Revised Budget 2015/16 | Expenditure to 31/12/15 | Variance | Budget 2016/17 | Budget 2017/18 | Narrative |
|--------|-------------|---|--|------------------|------------------------|-------------------------|------------------|------------------|----------------|--|
| | | Housing | | | | | | | | |
| CAP221 | SCG/GC R | Disabled Facilities Grants | Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families. Used mostly where essential repairs (health and safety) are identified to enable the DFG work to proceed (e.g. electrical works). | 600,000 | 600,000 | 343,959 | 256,041 | 600,000 | 600,000 | Likely spend c. £475k on current referral rates. |
| CAP222 | GCR | Adaptation Support Grant | A new form of assistance available under the council's Housing Renewal Policy 2003-06 | 26,000 | 26,000 | 10,841 | 15,159 | 26,000 | 26,000 | Small underspend likely on current referral rates. |
| CAP223 | PSDH | Health & Safety Grant / Loans | A new form of assistance available under the council's Housing Renewal Policy 2003-06 | | 275,200 | 0 | 275,200 | | | Likely to be an element of carry forward to 2016-17. |
| | PSDH | Vacant Property Grant | Grants provided under the Housing Grants, Construction and Regeneration Act 1996 | | | | | | | |
| | PSDH | Renovation Grants | | | | | | | | |
| CAP224 | LAA / C | Warm & Well | A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems | | 78,400 | 10,000 | 68,400 | | | Likely to be an element of carry forward to 2016-17. |
| CAP225 | PB/HCR | Housing Enabling - St Paul's Phase 2 | Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation | | 2,312,800 | 1,504,674 | 808,126 | | | Folley Gardens/St Pauls' - timing to be confirmed |
| CAP228 | S | Housing Enabling | Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation | | 500,000 | 0 | 500,000 | 500,000 | 500,000 | YMCA development scheme - timing to be confirmed |
| | | OPERATIONS | | | | | | | | |
| CAP301 | GCR | Vehicles and recycling caddies | Replacement vehicles and recycling equipment | | 61,800 | 0 | 61,800 | | | |
| CAP301 | PB/GCR | 10 Year vehicle Replacement | CBC & Ubico vehicle & plant replacement programme | 806,000 | 1,434,000 | 52,056 | 1,381,944 | 905,000 | 143,000 | Orders are pending following a review of rounds |
| | | BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME: | | | | | | | | |
| | C | Town Hall redevelopment (£2m) | Subject to Council approving a detailed scheme and a business case | | | | | | | |
| | C | Public Realm improvements (£2m) | Pending the completion of the Cheltenham Transport Plan process | | | | | | | |
| | C | Investment in the Crematorium (£1m) | Pending the Council approving a detailed proposal including a business case | | | | | | | |
| CAP302 | GCR | Material Bulking Plant | Maximum Project Budget for acquisition cost of creating the materials' bulking plant at the central Depot, required to deliver annual revenue savings of £92k | | 390,000 | 183,782 | 206,218 | | | Following the takeover of the Bulky Waste Facility by Ubico in October 2015, most of the spend is likely to be incurred this financial year. |
| CAP503 | GCR | Bus Station | Demolition of existing concrete bus shelter and waiting room and provision of services to sup[ply new café facility | | 50,000 | 0 | 50,000 | | | Due on site January 2016, completion March 2016. |
| | | CAPITAL SCHEMES - RECLASSIFIED AS REVENUE | | | | | | | | |
| CAP203 | C | Re-jointing High Street/Promenade pedestrianised area | Re-jointing works required to improve safety and appearance of the core commercial area | | 7,500 | 0 | 7,500 | | | |
| | | TOTAL CAPITAL PROGRAMME | | 2,308,900 | 23,837,600 | 17,042,561 | 6,800,264 | 2,211,000 | 949,000 | |
| | | Funded by: | | | | | | | | |
| | | G Government Grants | | | | | | | | |
| | | SCG Specified Capital Grant (DFG) | | 306,000 | 306,000 | | | 306,000 | 306,000 | |
| | | LAA LAA Performance Reward Grant | | | 78,400 | | | | | |
| | | P Partnership Funding | | | | | | | | |
| | | PSDH Private Sector Decent Homes Grant | | | 275,200 | | | | | |
| | | HLF Heritage Lottery Funding | | | | | | | | |
| | | HRA Housing Revenue Account Contribution | | 50,000 | 50,000 | | | 50,000 | 50,000 | |
| | | R Property Planned Maintenance Reserve | | | 59,700 | | | | | |
| | | R IT Repairs and Renewals Reserve | | | | | | | | |
| | | S Developer Contributions S106 | | 50,000 | 643,200 | | | 550,000 | 50,000 | |
| | | C HRA Capital Receipts | | | | | | | | |
| | | C GF Capital Receipts | | 447,300 | 6,962,400 | | | 130,000 | 130,000 | |
| | | C HIP Capital Reserve | | | | | | | | |
| | | C Civic Pride Reserve | | | 345,300 | | | | | |
| | | C Prudential Borrowing | | 806,000 | 14,368,800 | | | | | |
| | | C GF Capital Reserve | | 649,600 | 748,600 | | | 1,175,000 | 413,000 | |
| | | | | 2,308,900 | 23,837,600 | | | 2,211,000 | 949,000 | |

| Code | Fund | Scheme | Scheme Description | Budget 2015/16 | Revised Budget 2015/16 | Expenditure to 31/12/15 | Variance | Budget 2016/17 | Budget 2017/18 | Narrative |
|------|------|--------|--------------------|-------------------|------------------------------|---|----------|-------------------|-------------------|-----------|
| | | | | | | ABW 16,512,124 AG&M 82,300 ICT 448,136 <u>17,042,560</u> | | | | |

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PLANNED MAINTENANCE PROGRAMME 2015/16 - to 31st December 2015

| Code | Scheme | Description | Agreed Budget 2015/16 £ | C/fwd from 2014/15 £ | Virement during 2015/16 £ | Revised Budget 2015/16 £ | Actual 9 months 2015/16 £ | Committed to date 2015/16 £ | Not required 2015/16 £ | Under/(Over) spend on Projects £ | Comments |
|----------------|---|--|----------------------------|-------------------------|------------------------------|-----------------------------|------------------------------|--------------------------------|---------------------------|-------------------------------------|---|
| REVENUE | | | | | | | | | | | |
| ADB101 | Municipal Offices | Remedial repairs and replacement of AV equipment with IGEL compatible screens | 14,500 | 0 | 0 | 14,500 | 0 | 0 | 0 | 14,500 | Currently at tender/specification stage. |
| ADB103 | Central Depot | Measured building survey & access road & kerb repairs | 22,000 | 0 | 0 | 22,000 | 0 | 0 | 0 | 22,000 | To be reviewed at next leaseholders meeting |
| ADB103 | Central Depot | Replace central heating pumps & busbar | 5,000 | 9,000 | (14,000) | 0 | 0 | 0 | 0 | 0 | Work now assessed as not necessary - budget reallocated to remedial work following fire risk assessments. |
| CCM111 | Cemetery & Crematorium | Measured building survey & replace ash processor equipment | 29,000 | 0 | 50,000 | 79,000 | 49,341 | 0 | 0 | 29,659 | Currently at tender/specification stage. |
| CCM111 | Cemetery & Crematorium | Redecoration of public areas & widening of access road | 0 | 65,000 | (20,000) | 45,000 | 0 | 0 | 45,000 | 0 | Works now covered under redevelopment - budget will be returned to the Programme Maintenance Reserve to fund future schemes. |
| CPK101 | Car Parks - Off Street | General maintenance | 170,000 | 0 | 0 | 170,000 | 16,534 | 5,277 | 0 | 148,189 | Majority of works in progress but not yet invoiced. New extension with consultant. Additional funding provided for remedial works following fire risk |
| CUL112 | Town Hall | General repairs | 38,500 | 0 | 0 | 38,500 | 1,487 | 2,449 | 0 | 34,564 | Currently at tender/specification stage. |
| CUL113 | Pittville Pump Room | Replace front entrance & general redecoration | 15,000 | 0 | 2,000 | 17,000 | 0 | 0 | 5,000 | 12,000 | Currently at tender/specification stage. Replacement of front entrance door curtain not required. |
| CUL117 | Art Gallery & Museum | Energy consultant report | 0 | 0 | 4,000 | 4,000 | 0 | 0 | 0 | 4,000 | Not yet committed. |
| ECD101 | Xmas in Cheltenham | Electrical replacements | 5,000 | 0 | 0 | 5,000 | 5,057 | 0 | 0 | (57) | Currently at tender/specification stage. |
| FIE040 | Income & Expenditure on Investment Properties | General repairs, health & safety works & new extension to 12 St James Street | 85,000 | 35,000 | 21,000 | 141,000 | 35,389 | 7,696 | 0 | 97,915 | Majority of works in progress but not yet invoiced. New extension with consultant. Additional funding provided for remedial works following fire risk assessments |
| OPS111 | Arle Nursery | General repairs and replacement of poly-tunnel sheeting | 13,500 | 0 | 0 | 13,500 | 0 | 6,961 | 0 | 6,539 | On-going general repairs. Waiting for quote for replacement of poly-t sheeting. |
| OPS111 | Arle Nursery | General repairs to glazing & seals | 7,000 | 0 | (7,000) | 0 | 0 | 0 | 0 | 0 | Service manager confirmed not required - budget reallocated to remedial works following fire risk assessments. |
| OPS121 | Parks & Gardens | Timber frame redecoration & update to electrical supply for historical lighting | 13,000 | 0 | 0 | 13,000 | 0 | 0 | 0 | 13,000 | Currently at tender/specification stage. |
| OPS122 | Sports & Open Spaces | General repairs & redecoration, replace front door at Tramway Cottage & refurbishment of sports changing-room facilities | 91,500 | 0 | 0 | 91,500 | 2,599 | 840 | 0 | 88,061 | Currently at tender/specification stage. |
| PUT101 | Royal Well Bus Node | Removal & replacement of waiting room | 50,000 | 0 | 0 | 50,000 | 4,666 | 0 | 0 | 45,334 | Currently at specification stage |
| REC111 | Recreation Centre | General repairs & remedial works | 54,000 | 117,000 | 4,500 | 175,500 | 30,281 | 24,690 | 0 | 120,529 | Currently at tender/specification stage. |
| REC112 | Prince of Wales Stadium | Various upgrades & refurbishments | 135,000 | 0 | 9,500 | 144,500 | 39,680 | 0 | 0 | 104,820 | Replacement of defective car-park greasscrete panels is currently at tender/specification stage. |
| RYC004 | Recycling Centres | Battery, recycling storage bins & compactor replacement | 88,000 | 20,000 | 0 | 108,000 | 0 | 0 | 0 | 108,000 | To be reviewed at next leaseholders meeting |
| SUP025 | Property Services | Wall repairs at St Mary's Churchyard | 14,000 | 0 | 0 | 14,000 | 17,087 | 0 | 0 | (3,087) | Completed project slightly exceeded budgets. Potential underspends on other projects could be used to cover this. |
| | TOTAL PROGRAMMED MAINTENANCE | | 850,000 | 246,000 | 50,000 | 1,146,000 | 202,121 | 47,913 | 50,000 | 845,966 | |

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**Council Tax and Business Rates
Collection Rates 2015-2016**

Business Rates 2015/2016

| Current Year Charges - 2015/2016 | | | |
|----------------------------------|---------------------------|-------------------|------------------------|
| Monitoring Period | % Collected at 31.12.2015 | Target 31.12.2015 | 2015/2016 Target |
| | 83.02% | 83.80% | 98.15% |
| Comparison with 2014/2015 | 31.12.2014 | | % Collected 31.03.2015 |
| | 85.48% | | 98.12% |

The collection rate for the end of December is slightly below the target. We are monitoring the position closely and working with any businesses having difficulty in paying but are optimistic that we can achieve the year end target.

| Previous Years Charges Outstanding in 2015/2016 | | | |
|---|----------------------------------|-------------------|----------------------------------|
| Monitoring Period | Amount outstanding at 31.12.2015 | Target 31.12.2015 | 2015/2016 Target |
| | £953,069 | £975,000 | £690,000 |
| Comparison with 2014/2015 | Amount outstanding at 31.12.2014 | | Amount outstanding at 31.03.2015 |
| | £909,179 | | £744,809 |

The arrears are slightly below the target. We are optimistic that we will achieve the year end target and continue to work with any businesses having difficulty in paying.

Council Tax 2015/2016

| Current Year Charges - 2015/2016 | | | |
|----------------------------------|---------------------------|-------------------|------------------------|
| Monitoring Period | % Collected at 31.12.2015 | Target 31.12.2015 | 2015/2016 Target |
| | 85.85% | 85.55% | 98.12% |
| Comparison with 2014/2015 | As at 31.12.2014 | | % Collected 31.03.2015 |
| | 85.57% | | 98.08% |

The collection rate for the end of September is above the target. We are monitoring the position closely but are optimistic that we can achieve the year end target.

| Previous Years Charges Outstanding in 2015/2016 | | | |
|---|----------------------------------|-------------------|---------------------|
| Monitoring Period | Amount outstanding at 31.12.2015 | Target 31.12.2015 | 2015/2016 Target |
| | £1,348,041 | £1,310,000 | £1,095,000 |
| Comparison with 2014/2015 | As at 31.12.2014 | | Amount o/s 31.03.15 |
| | £1,301,349 | | £1,123,252 |

The arrears outstanding are slightly higher than the target. We are monitoring the position closely and working with council tax payers having difficulty in paying.

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Schedule of Virements for Approval - 20015/16 Budgets

| Costc | Costc(T) | Account | Account(T) | VIREMENT | |
|--------|--|---------|-------------------------------|----------------|--|
| | | | | 2015/16 Budget | Reason |
| ADB101 | Cheltenham Municipal Offices | R1099 | Salary Contingency | -£14,700 | Reallocation of service salary underspend achieved at January 2016 |
| ADB102 | Custodians | R1099 | Salary Contingency | -£2,800 | Reallocation of service salary underspend achieved at January 2016 |
| CCM001 | Cemetery, Crematorium and Churchyards | R1099 | Salary Contingency | £17,200 | Reallocation of service salary underspend achieved at January 2016 |
| COR001 | Corporate Management | R1099 | Salary Contingency | £2,400 | Reallocation of service salary underspend achieved at January 2016 |
| COR002 | Chief Executive | R1099 | Salary Contingency | -£5,900 | Reallocation of service salary underspend achieved at January 2016 |
| COR003 | Corporate Policy Making | R1099 | Salary Contingency | -£4,000 | Reallocation of service salary underspend achieved at January 2016 |
| CPK001 | Car Parks - Off Street Operations | R1099 | Salary Contingency | £8,800 | Reallocation of service salary underspend achieved at January 2016 |
| CSM001 | Cultural - Service Management and Support Services | R1006 | Salaries - Superannuation | -£19,100 | Reallocation of service salary underspend achieved at January 2016 |
| DEV001 | Development Control - Applications | R1099 | Salary Contingency | £40,500 | Reallocation of service salary underspend achieved at January 2016 |
| DEV003 | Development Control - Enforcement | R1099 | Salary Contingency | £7,700 | Reallocation of service salary underspend achieved at January 2016 |
| DRM001 | Democratic Representation and Management | R1001 | Salaries - National Insurance | -£900 | Reallocation of service salary underspend achieved at January 2016 |
| DRM011 | Twinning Expenses | R1099 | Salary Contingency | £500 | Reallocation of service salary underspend achieved at January 2016 |
| DRM012 | Civic Events | R1003 | Salaries - Overtime | £400 | Reallocation of service salary underspend achieved at January 2016 |
| ECD001 | Economic Development | R1099 | Salary Contingency | -£21,500 | Reallocation of service salary underspend achieved at January 2016 |
| ELE002 | District Elections | R1050 | Wages - Basic Pay | £2,300 | Reallocation of service salary underspend achieved at January 2016 |
| ELE003 | Elections Support/Overheads | R1099 | Salary Contingency | -£8,900 | Reallocation of service salary underspend achieved at January 2016 |
| GBD001 | Community Welfare Grants | R1000 | Salaries - Basic Pay | £1,100 | Reallocation of service salary underspend achieved at January 2016 |
| HBA001 | Housing Benefit Administration | R1099 | Salary Contingency | -£73,600 | Reallocation of service salary underspend achieved at January 2016 |
| HOM001 | Homelessness | R1099 | Salary Contingency | £1,100 | Reallocation of service salary underspend achieved at January 2016 |
| HOS004 | Housing Standards | R1099 | Salary Contingency | £8,800 | Reallocation of service salary underspend achieved at January 2016 |
| LTC001 | Council Tax Collection | R1099 | Salary Contingency | -£5,100 | Reallocation of service salary underspend achieved at January 2016 |
| LTC011 | NNDR Collection | R1099 | Salary Contingency | -£7,900 | Reallocation of service salary underspend achieved at January 2016 |
| OPS001 | Parks & Gardens Operations | R1099 | Salary Contingency | -£3,200 | Reallocation of service salary underspend achieved at January 2016 |
| OPS004 | Allotment s | R1099 | Salary Contingency | £700 | Reallocation of service salary underspend achieved at January 2016 |
| PLP001 | Planning Policy | R1099 | Salary Contingency | -£63,500 | Reallocation of service salary underspend achieved at January 2016 |
| PLP004 | Conservation | R1099 | Salary Contingency | -£1,400 | Reallocation of service salary underspend achieved at January 2016 |
| PLP006 | Trees | R1099 | Salary Contingency | £600 | Reallocation of service salary underspend achieved at January 2016 |
| PUT102 | Shopmobility | R1099 | Salary Contingency | -£4,000 | Reallocation of service salary underspend achieved at January 2016 |
| REG002 | Licensing | R1100 | Agency Staff | £600 | Reallocation of service salary underspend achieved at January 2016 |
| SPP002 | Community Alarms | R1099 | Salary Contingency | £300 | Reallocation of service salary underspend achieved at January 2016 |
| SUP003 | Human Resources | R1099 | Salary Contingency | £2,100 | Reallocation of service salary underspend achieved at January 2016 |
| SUP004 | Legal | R1099 | Salary Contingency | £4,200 | Reallocation of service salary underspend achieved at January 2016 |
| SUP005 | ICT | R4400 | Services - Professional Fees | £4,200 | Reallocation of service salary underspend achieved at January 2016 |
| SUP007 | Committee Services | R1099 | Salary Contingency | -£3,400 | Reallocation of service salary underspend achieved at January 2016 |
| SUP008 | Reception/Customer Services | R1099 | Salary Contingency | -£700 | Reallocation of service salary underspend achieved at January 2016 |
| SUP009 | Accountancy | R1099 | Salary Contingency | £2,300 | Reallocation of service salary underspend achieved at January 2016 |
| SUP010 | Internal Audit | R1099 | Salary Contingency | £2,100 | Reallocation of service salary underspend achieved at January 2016 |
| SUP014 | Cashiers | R1099 | Salary Contingency | £1,200 | Reallocation of service salary underspend achieved at January 2016 |
| SUP017 | Business Improvement/Transformation | R1099 | Salary Contingency | -£55,600 | Reallocation of service salary underspend achieved at January 2016 |
| SUP018 | Press & PR/Communications | R1099 | Salary Contingency | -£41,600 | Reallocation of service salary underspend achieved at January 2016 |
| SUP025 | Property Services | R1099 | Salary Contingency | £10,600 | Reallocation of service salary underspend achieved at January 2016 |
| SUP036 | Project Management | R1099 | Salary Contingency | £12,100 | Reallocation of service salary underspend achieved at January 2016 |

| Costc | Costc(T) | Account | Account(T) | VIREMENT | |
|---|---|---------|--|----------------|--|
| | | | | 2015/16 Budget | Reason |
| SUP039 | Callouts | R1099 | Salary Contingency | -£6,000 | Reallocation of service salary underspend achieved at January 2016 |
| SUP103 | Business Support Services | R1099 | Salary Contingency | £1,100 | Reallocation of service salary underspend achieved at January 2016 |
| BAL105 | Balances and Reserves | RES003 | Economic Development & Tourism Reserve | £50,000 | Contribution to Tourism Strategy |
| CPK001 | Car Parks - Off Street Operations | R9352 | Car Park Fees | -£330,000 | Surplus on car parking income |
| BAL104 | Balances and Reserves | RES107 | Car Parking equalisation reserve | £330,000 | Transfer to Car Parking Equalisation Reserve |
| TGI018 | Non-domestic rates income and expenditure | R8976 | NDR Government Grant Payable (Levy) | -£586,000 | Surplus on Business Rates |
| BAL104 | Balances and Reserves | RES108 | Business Rates Retention Equalisation | £586,000 | Transfer to Business Rates Retention Reserve |
| Various | 2014/15 Carry Forwards | | | -£41,000 | Surplus to requirements carry forwards |
| Various | NNDR Costs | R2300 | Business Rates | -£4,400 | Saving in NNDR Budgets 2015/16 |
| GBD001 | Community Welfare Grants | R6280 | Grants | £3,500 | Festival Performance Arts - additional cost of new SLA |
| HBO002 | Rent Rebates | Rxxx | Various | £6,940 | Net shortfall on Rent allowances |
| ECD001 | Economic Development | R6280 | Grants | £5,100 | Omitted 2014/15 Tourism carry forward |
| ELE001 | Registration of Electors | R4531 | IT - Purchase of Software | -£3,000 | Saving due to 2014/15 accrual error |
| ELE002 | District Elections | R4531 | IT - Purchase of Software | -£12,000 | Saving due to 2014/15 accrual error |
| DEV004 | Development Advice | R9303 | Fees - Planning Application | £15,000 | Shortfall in pre-app planning advice income |
| COR006 | Treasury Management | R4400 | Services - Professional Fees | £4,100 | Additional one off treasury costs |
| CUL108 | Everyman Theatre | R6280 | Grants | £15,000 | Additional Everyman Theatre roof grant |
| OPS001 | Parks & Gardens Operations | R9141 | Sponsorship Income | -£14,600 | Additional sponsorship income received |
| COR001 | Corporate Management | R4430 | Audit Fees | -£20,000 | Reduction in audit fees |
| HBP001 | Rent Allowances | Rxxx | Various | -£40,000 | Saving in rent allowances expenditure and bad debt provision |
| PUT101 | Royal Well Bus Node | R9406 | Lettings | £11,000 | Shortfall against income |
| COR001 | Corporate Management | R8910 | Contribution to bad debts provision | -£13,210 | Saving on bad debt provision |
| Various | Utilities | | | £10,100 | Increased cost of utilities |
| Net reported (underspend) / overspends reported in Table 2.1 Cabinet Budget Monitoring Report: | | | | | |
| WST001 | Household Waste | R9102 | Contributions - Other Organisations | -£163,600 | Ubico - 2014/15 underspend |
| Various | Waste & Recycling | R5001 | TPP - Major External Contractors | -£114,000 | Ubico - cost savings & efficiencies |
| Various | Waste & Recycling | R9xxx | Various | £279,400 | Shortfall in Recycling Income |
| TRW001 | Trade Waste | R9304 | Fees - Refuse Collection & Disposal | £62,000 | Shortfall in Trade Waste income |
| Various | Treasury Management | | | -£31,530 | Surplus on treasury management activity |
| PLP101 | Joint Core Strategy | R4400 | Services - Professional Fees | £40,000 | Additional one-off JCS cost |

| Costc | Costc(T) | Account | Account(T) | VIREMENT | |
|--|-----------------------------------|---------|----------------|------------------|----------------|
| | | | | 2015/16 Budget | Reason |
| CPK001 | Car Parks - Off Street Operations | R2300 | Business Rates | -£64,800 | Saving on NNDR |
| CCM001 | Cemetery & Crematorium | R2300 | Business Rates | -£77,000 | Saving on NNDR |
| Net Underspend Forecast 2015/16 | | | | -£307,900 | |
| Contribution to Budget Support Strategy Reserve | | | | -£307,900 | |

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