



CHELTENHAM

BOROUGH COUNCIL

Notice of a meeting of Cabinet

Tuesday, 12 December 2017
6.00 pm
Pittville Room - Municipal Offices

Membership	
Councillors:	Steve Jordan, Flo Clucas, Chris Coleman, Rowena Hay, Peter Jeffries, Andrew McKinlay and Roger Whyborn

Agenda

7.		GENERAL FUND REVENUE AND CAPITAL-INTERIM BUDGET PROPOSALS 2018/19 FOR CONSULTATION Report of the Cabinet Member Finance	(Pages 3 - 50)
8.		HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL-REVISED BUDGET 2017/18 AND INTERIM BUDGET PROPOSALS 2018/19 FOR CONSULTATION Report of the Cabinet Member Finance	(Pages 51 - 66)

Contact Officer: Rosalind Reeves, Democratic Services Manager, 01242 774937
Email: democratic.services@cheltenham.gov.uk

This page is intentionally left blank

Cheltenham Borough Council

Cabinet – 12th December 2017

General Fund Revenue and Capital - Interim Budget Proposals 2018/19 for Consultation

Accountable member	Cabinet Member for Finance, Councillor Rowena Hay
Accountable officer	Paul Jones, Section 151 Officer
Accountable scrutiny committee	Overview and Scrutiny Committee and Budget Scrutiny Working Group
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report sets out the Cabinet’s interim budget proposals for 2018/19 for consultation. The budget projections have been prepared before the local government finance settlement consultation has been released which is not expected until week commencing 11th December 2017.
Recommendations	<ol style="list-style-type: none"> 1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £202.12 for the year 2018/19 (an increase of 2.54% or £5.00 a year for a Band D property). 2. Approve the Medium Term Financial Strategy (MTFS) and Commercial Strategy outlined in section 3 and Appendix 3. 3. Approve the growth proposals, including one off initiatives at Appendix 4, for consultation. 4. Approve the proposed capital programme at Appendix 6, as outlined in Section 6. 5. Delegate authority to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation. 6. Seek consultation responses by 19th January 2018.

Page 4

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>This report proposes an interim budget for consultation purposes and there are no specific legal implications at this stage.</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>Building on our positive employee relations and our partnership working with the two recognised trade unions, TU representatives received a budget briefing at the Joint Liaison Forum on 6th December 2017.</p> <p>Dialogue with the recognised trade unions will continue in order to ensure that any potential impacts on employees as a result of realisation of budget savings are kept to a minimum. It is always the Council's aim to avoid the need for compulsory redundancies wherever possible and 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>
Key risks	<p>As outlined in Appendix 1</p>
Corporate and community plan Implications	<p>The aim of the interim 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>
Environmental and climate change implications	<p>The draft budget contains a number of proposals for improving the local environment, as set out in this report.</p>

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 2018. This report sets out the interim proposals for 2018/19.
- 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, more than 65% 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. 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.

2. Settlement Funding Assessment

- 2.1 On 8th February 2016, the Secretary of State for Communities and Local Government announced the final 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 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 desired one, and which can demonstrate efficiency savings.
- 2.2 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.
- 2.3 The final local government settlement for 2017/18 equated to a further grant reduction in cash terms of £0.677 million or 17.5%. The proposed settlement for 2018/19, as outlined in the 4 year multi-settlement agreement, indicates a further grant reduction in cash terms of £0.364 million or 11.3%.
- 2.4 Since 2009/10 the Council's core funding from the Government has been cut by some £6.4 million (72.7%), from £8.8 million to £2.4 million (this excludes council tax support funding of £812k which transferred into the settlement funding assessment in 2013/14).
- 2.5 The proposed levels of government funding for this Council are set out in the table below. Overall 'core' central government funding (referred to as the Settlement Funding Assessment) is set to reduce by a further 11.3% in 2018/19.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	1.273	0.544	0.102	0.000
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.424
Settlement Funding Assessment	3.873	3.197	2.835	2.424
Actual cash (decrease) over previous year	(0.816)	(0.676)	(0.362)	(0.411)
% cash cut	(17.4%)	(17.5%)	(11.3%)	(14.5%)

- 2.6** The Government's policy of phasing out revenue support grant and in due course potentially 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.
- 2.7** However, by not including the Local Government Finance Bill in the Queen's Speech, the Government has given a very strong indication that it will not be proceeding with 100% business rates retention, at least not yet. There are suggestions that the Government is going to have a re-think about business rates retention, and this may or may not result in 100% retention.
- 2.8** The omission of the Local Government Finance Bill from the legislative programme leaves the plans for business rates retention in limbo and creates greater uncertainty for future funding settlements. The Department for Communities and Local Government has stated that the Government is committed to delivering the manifesto pledge to help local authorities control more of the money they raise and will work closely with local government to agree the best way to achieve this.
- 2.9** In addition to the above, Members will recall the late changes to the New Homes Bonus calculation, through the introduction of a 0.4% baseline target, had significant financial consequences for this Council.
- 2.10** A technical consultation paper on the 2018/19 Local Government Finance Settlement was launched with a closing date for responses of 26th October 2017. A formal response to the consultation was submitted on behalf of the Council which is likely to feed into the Local Government Finance settlement announcement which is due mid-December.
- 2.11** This consultation paper outlined suggested proposals for further reforms to the New Homes Bonus calculation which may include further increases to the baseline target.
- 2.12** District Councils are concerned that decisions relating to the New Homes Bonus scheme continue to be made only a few months before the start of the new financial year, therefore impacting on the ability for district councils to understand the impact on their budgets. This runs contrary to the stated aim of 4 year settlements which was to reduce this uncertainty.

Retained Business Rates

- 2.13** In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.
- 2.14** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 2.15** 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.
- 2.16** 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, as reported to Cabinet and Council in July 2015.
- 2.17** In 2015/16 the Pool was back in surplus, generating £877,948, and in 2016/17 generated a further surplus of £2,138,443.
- 2.18** The anticipated level of business rates due to this Council in 2018/19, taking into account the re-developments at the Brewery, John Lewis and Jessops Avenue, is above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 2.19** Taking the above into account, the Section 151 Officer has confirmed that this Council will benefit from remaining in the pool in 2018/19 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements.
- 2.20** Furthermore, the Government is committed to continuing to give local authorities greater control over the money they raise locally. It is in this context that the Government decided to proceed with the expansion of the pilot programme for 100% business rates retention in 2018/19. These will run alongside the five current 100% pilots which have been in operation since 1st April 2017.
- 2.21** The 2018/19 pilots are an opportunity for the Government to test more technical aspects of the 100% business rates retention system, such as tier-splits. This will provide the opportunity to evaluate how collaboration between local authorities works in practice.
- 2.22** The Government has indicated within its prospectus that it would like to see authorities form pools and, with agreement in place from all authorities, to apply jointly for pilot status. The opportunity to work together as a pool across a functional economic area will allow authorities to make coherent strategic decisions about the wider area and to jointly manage risk and reward.
- 2.23** The Gloucestershire Chief Financial Officers met on several occasions and discussed the modelling of how a pilot scheme may work across Gloucestershire. Whilst the modelling supports potential financial gains of circa £11m from becoming a pilot, the Gloucestershire Chief Financial Officers needed to balance these gains against the risks such as claims from NHS Foundation Trusts for mandatory charitable relief on business rates.
- 2.24** Prior to submitting an expression of interest, the Government announced that like the 2017/18 pilots, the 2018/19 pilots programme would include a 'no detriment' clause. This in effect means that whilst Gloucestershire authorities would need to 'forego' guaranteed Revenue Support Grant and Rural Services Delivery Grant for an uplift in its baseline funding targets, the Government will guarantee that authorities will be no worse off if they become a pilot.

- 2.25** The deadline for submitting a bid to become a pilot was 27th October 2017. Leadership Gloucestershire met on 26th October 2017, and following a presentation of the modelling undertaken by the Gloucestershire Chief Financial Officers, determined to submit a bid by the deadline with the following criteria:
- Full agreement by all 7 councils to be designated a pool for 2018/19 (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988).
 - An agreed proposal as to how the additional growth should be split. This provides for;
 - a. 20% to an already established Strategic Economic Development Fund (set up under the existing pooling arrangements)
 - b. 30% to the 6 District Councils and
 - c. 50% for the County Council
 - Each authority will use its funding for financial resilience/sustainability and growth initiatives specific to its area. Given that the pilot is being presented as a 'one off for 2018/19 only', individual authorities will be careful not to build in longer term financial commitments.
 - We acknowledge that we forego Revenue Support Grant and Rural Services Grant funding for the period of the pilot i.e. the financial year 2018/19.
 - We accept the terms of the pilot being a safety net threshold of 97% and that there is a "zero levy", as is the case for the current 2017/18 pilot areas.
 - We understand that Ministers have now agreed that all pilots are to have a 'no detriment' clause.
 - Should we not be successful with our pilot bid, we wish to see our current pooling arrangements continue. This would involve the 6 authorities currently in the Gloucestershire pool. Tewkesbury BC is not part of the pool.
- 2.26** It is anticipated that the successful pilots will be announced alongside the Local Government Finance settlement in mid-December. If Gloucestershire is successful in being accepted as a pilot for 2018/19 with a 'no detriment' clause, the Council will be no worse off in proceeding to become a pilot for 100% business rates retention in 2018/19.

Council Tax

- 2.27** For the period 2010 to 2015 the Council had frozen its council tax at £187.12 a year for a Band D taxpayer. In taking this course of action, the Cabinet had borne in mind the difficult economic and financial climate that many of our residents were facing. However, during the period of the freeze our own financial position as a Council deteriorated sharply. Our core Government funding has been cut drastically, with further large cuts to come. In addition, inflation has continued to affect many areas of the Council's costs.
- 2.28** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 2 per cent for all local authorities, as in 2017/18. However, shire districts will be allowed increases of up to and including £5, or up to 2 per cent, whichever is higher.
- 2.29** Consumer price index (CPI) inflation was 3.0% in September 2017, which is above the Monetary Policy Committee's (MPC) 2% target. Inflation is not projected to fall back towards the 2% target until mid-2018, reflecting past increases in energy prices falling out of the annual comparison. With increased pressure for the cap on public sector pay to be lifted and the need for inward investment in the Borough, the Cabinet proposes to increase the council tax by £5 based on a band D property which equates to a 2.54% increase.

Collection Fund

- 2.30** At this point in time, it is estimated that the Council's share of the Collection Fund surplus for 2018/19 is £165,000. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates and the Council's actual share will be confirmed within the final budget proposals presented to Council in February 2018.

3. The Cabinet's budget strategy

- 3.1** 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. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 3.2** The key mechanism for carrying out this strategy is the Bridging the Gap (BtG) programme, which seeks to bring service costs in line with available funding. To date, this programme has been very successful in managing funding gaps, with over £12m generated from BtG work streams including service reviews, shared services, increased income generation and asset management initiatives. This achievement has made it possible to date, to adopt a more strategic approach to identifying savings and additional income rather than relying on 'salami-slicing' of budgets.
- 3.3** The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth and investment and the efficient utilisation of our assets. With this in mind, the Cabinet has been working with the Executive Management team to deliver a commercial strategy which will sit alongside the Medium Term Financial Strategy (MTFS) as detailed in Appendix 3. In addition, resources will be geared towards supporting and delivering the growth agenda including major developments in North West and West Cheltenham.
- 3.4** The MTFS indicates broadly how the Council will close the projected funding gap over the period 2018/19 to 2021/22. It includes savings targets rather than specifically worked up projections of cost savings and is based on the building blocks of place and economic growth; organisational change; and finance and assets. The detailed schedule of target savings is provided in greater detail within the MTFS at Appendix 3
- 3.5** The starting point for constructing the 2018/19 budget has been a projected MTFS funding gap of £1.643m.
- 3.6** Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to identifying budget savings, carried out by the Cabinet and the Executive Management Team. This work has already made significant progress towards bridging the gap, having identified at this early stage potential savings and additional income of £783k, leaving £860k to find, assuming a £5 council tax increase is approved.
- 3.7** It is therefore the Cabinet's intention to meet the shortfall in funding in 2018/19 from the budget strategy (support) earmarked reserve in order to deliver a balanced budget. This will give the Council more time to deliver its long-term strategy for delivering the substantial savings required.
- 3.8** 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.

3.9 In preparing the interim budget proposals, the Cabinet and officers have considered the following:

- 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 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 2% for 2018/19.
- Budgeted for an increase in Members allowances of 2% for 2018/19.
- Budgeted for superannuation increases in accordance with the triennial review 2016 for the financial years 2018/19 and 2019/20.
- Increased income budgets for the Cemetery and Crematorium, assuming an average increase in fees and charges of 2%.
- All other fees and charges, including car park charges, are subject to annual review by the Regulatory and Environmental Services management team. A target of £50k per annum has been established as part of the savings strategy approved to deliver a balanced budget.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

4. Treasury Management

4.1 Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.

4.2 Investment interest rates will probably remain very low in the medium term until there is more economic certainty following Brexit. Returns from traditional fixed term cash deposits are minimal so growth will need to be from alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets.

5. Reserves

5.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review forms part of the formal budget setting report to be presented to Council in February 2018. A projection of the level of reserves to be held at 31st March 2018 and 31st March 2019 respectively is detailed in Appendix 5.

5.2 The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

6. Capital Programme

6.1 The interim capital programme for the period 2017/18 to 2020/21 is set out at Appendix 6.

6.2 The strategy for the use of the council's capital resources is led by our corporate priorities. The

existing programme includes sums for infrastructure investment to be funded from capital receipts and the purchase of new vehicles through Ubico. It also includes the allocations agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall and the Crematorium, and an earmarked contribution to public realm works within the Town Centre.

- 6.3 In addition the capital programme sets aside an allocation for enhancing our property portfolio with the aims of delivering economic growth and regeneration.

7. Property Maintenance Programme

- 7.1 The interim budget proposals include the 2018/19 property maintenance programme, which will be reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £600k to planned maintenance as detailed in Appendix 7.

8. Reasons for recommendations

- 8.1 As outlined in the report.

9. Alternative options considered

- 9.1 The Cabinet has considered many alternatives in arriving at the interim budget proposals. Opposition groups will be able to suggest alternative budget proposals for consideration by Council in February 2018.

10. Consultation and feedback

- 10.1 The formal budget consultation on the detailed interim budget proposals will be over the period **14th December 2017 to 19th January 2018**. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be 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. The Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2018 and any comments will be fed back to the Cabinet.
- 10.2 Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to allow consideration of their full implications and to enable them to be built into the budget.
- 10.3 All comments relating to the initial budget proposals should be returned to the Section 151 Officer by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the council's website. Comments can be e-mailed to **money matters@cheltenham.gov.uk**.
- 10.4 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 change is captured.
- 10.5 Given the financial pressures and the potentially very difficult decisions which will have to be made, it is 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.

11. Performance management – monitoring and review

- 11.1** 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 the delivery of services to the 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.
- 11.2** The delivery of the savings workstreams included in the interim budget proposals, if approved by full Council will be monitored by the Budget Scrutiny Working Group.

Report author	Paul Jones, Chief Finance Officer (Section 151 Officer) Tel. 01242 775154; e-mail address paul.jones@cheltenham.gov.uk
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Summary net budget requirement 3. MTFS and Commercial Strategy 4. Growth 5. Projection of reserves 6. Capital programme 7. Programmed Maintenance programme
Background information	<ol style="list-style-type: none"> 1. Budget Strategy and Process 2018/19 report to Cabinet 10th October 2017.

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 close 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	01/09/2010	5	3	15	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	Ongoing	Chief Finance Officer	01/09/2010
CR105	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	Chief Finance Officer	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to bolster reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2018/19 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	Chief Finance Officer	
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	Chief Finance Officer	14/09/12	4	3	12	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.	Ongoing	Chief Finance Officer	

	grow the business rates in the town then the MTFS budget gap may increase.							The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool. Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
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	15/12/10	3	3	9	Reduce	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. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	Chief Finance Officer	
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	Chief Finance Officer	15/12/10	3	3	9	Reduce	As part of the delivery of the BtG / commissioning programmes a clear communication strategy is in place. In adopting a	Ongoing	Communications team to support the BTG programme	

	is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.							commissioning culture the council is basing decisions on customer outcomes which should address satisfaction levels.			
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	13/12/10	5	3	15	Reduce	Work with GOSS and county wide CFO's to monitor changes to local government financing regime including responding to government consultation on changes to New Homes Bonus and Business Rates. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.	Ongoing	Chief Finance Officer	
1.08	If the government's technical consultation on the 2018/19 Local Government Finance Settlement leads further reforms to the New Homes Bonus calculation then this could have an estimated negative financial impact of between £0.5m and £0.8m, impact on the planning process affecting the ability to approve new developments in a	Chief Finance Officer	20/09/17	5	3	15	Reduce	The response to the government's consultation was submitted on 26 th October 2017 outlining our concerns to any further changes to the system.	26/10/17	Chief Finance Officer	

	timely manner and impact on the council's ability to deliver core frontline services.											
--	---	--	--	--	--	--	--	--	--	--	--	--

NET GENERAL FUND INTERIM BUDGET 2018/19

GROUP	2017/18 ORIGINAL	2017/18 REVISED	2018/19 ORIGINAL
Projected cost of 'standstill' level of service	£	£	£
Chief Executives Directorate	7,629,723	8,426,093	8,154,589
Environmental & Regulatory Services	3,130,023	3,253,588	3,174,701
Resources Directorate	5,050,983	4,999,630	4,595,998
Programme Maintenance - Appendix 7	0	0	600,000
Bad debt provision	20,000	20,000	20,000
	<u>15,830,729</u>	<u>16,699,311</u>	<u>16,545,288</u>
Capital Charges	(1,337,500)	(1,573,900)	(1,573,900)
Interest and Investment Income	407,500	385,500	407,500
Use of balances and reserves	(164,127)	(492,790)	(89,900)
Savings / Additional income identified - MTFS Appendix 3			(1,642,958)
Proposed Growth recurring - Appendix 4			30,000
Use of Budget Strategy Support reserve	(882,205)	(882,205)	(56,800)
NET BUDGET	<u>13,854,397</u>	<u>14,135,916</u>	<u>13,619,230</u>
Deduct:			
Revenue Support Grant	(544,030)	(544,030)	(102,300)
National Non-Domestic Rate	(2,602,082)	(2,782,435)	(2,380,833)
National Non-Domestic Rates - S31 Grants	(676,296)	(749,562)	(861,266)
Local Council Tax Support- Transitional grant	(74,197)	(74,197)	0
New Homes Bonus	(1,750,000)	(1,777,900)	(1,687,000)
Less: Grant allocated to Parishes (council tax support)	10,269	10,269	5,169
Collection Fund Contribution	(128,000)	(128,000)	(165,000)
	<u>(5,764,336)</u>	<u>(6,045,855)</u>	<u>(5,191,230)</u>
NET SPEND FUNDED BY COUNCIL TAX	8,090,061	8,090,061	8,428,000
Band 'D' Tax	£197.12	£197.12	£202.12
Increase per annum			£5.00
Increase per week			£0.10
% Rise			2.54%
Gross Collectable Tax Base	41,560.81	41,560.81	42,119.19
Collection Rate %	98.75%	98.75%	99.00%
Net Tax Base	41,041.30	41,041.30	41,698.00

This page is intentionally left blank

MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22

1. INTRODUCTION

1.1. The council's vision statement sets out its aspirational goals for the long-term future of Cheltenham.

"Our vision is of a Cheltenham that delivers the very best quality of life for its people. We believe that the key elements in achieving this vision are to protect and enhance the built heritage and green spaces that have shaped the unique character of the town; to create the conditions in which businesses can thrive, innovate and provide good quality jobs; to make the town a world-class cultural and learning centre which is outward-looking and welcoming to visitors; to build strong, safe and healthy communities for residents and their families; and to accept our responsibility to present and future generations to live within environmentally sustainable limits."

1.2. The focus of the MTFS is to ensure the strategy for forecasting, understanding and protecting the council's financial future ultimately reflects the vision for the council in the medium term. Its purpose is to ensure a stable and sustainable financial position that will allow the council to achieve this vision by delivering its aims and ambitions over the next 4 years (2018/19 to 2021/22).

1.3. The MTFS is the council's key financial planning document for the General Fund budget. It sets out and considers the financial implications of the council's objectives and priorities and factors in financial pressures, including reducing government funding. The diagram below shows how the MTFS is the overarching framework from which all other financial strategies, plans, policies and decisions hang.

Category	Overall	Revenue	Capital	Treasury Mgmt	Risk Management
Strategies	Medium Term Financial Strategy				
	Commercial Strategy		Capital Strategy	Treasury Mgmt (TM) Strategy	Risk Management
			Asset Mngt Strategy		
Guidance	CIPFA and Technical Guidance	Budget Guidance	Capital Guidelines	CIPFA Code for Practice for TM	Risk Management Guidance
Plans	MTFP Projection	Annual Budget	Capital Programme & Asset Mgmt Plan	Treasury Policy Statements	Risk Register
Governance	Constitution and Annual Governance Statement	Quarterly Performance Reports		Prudential Indicators and Annual Report	Risk Register reporting and regular review
	Contract and Finance Procedure Rules				Audit Committee and Cabinet Reports
	Internal and External Audit Plans and our response to audit review				
Decision making	Cabinet/Council				

- 1.4. The council's external auditor, Grant Thornton, undertakes a Value for Money review each year which assesses the council's finances against National Audit Office (NAO) Code of Audit Practice to determine whether or not the council has proper arrangements in place for securing financial resilience, and challenging how it secures economy, efficiency and effectiveness. This review covers six themes, one of which is Strategic Financial Planning focussing on the MTFS.
- 1.5. In order to achieve an unqualified value for money conclusion, the external auditor will focus their findings based on the council having robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future which is demonstrated by the MTFS. Grant Thornton's audit findings for 2016/17 including value for money assessment can be found at: https://democracy.cheltenham.gov.uk/documents/s22867/2017_09_20_AUD_GT_ISA260%20Audit%20Findings%20Report.pdf
- 1.6. The Housing Revenue Account (HRA) is not included, as a separate budget and Business Plan is produced for the HRA to cover its planning processes.

2. EXECUTIVE SUMMARY

- 2.1. To produce a robust and thoughtful MTFS which captures the growing needs and continuing aspirations of the council during a period of prolonged public spending austerity the following areas are considered and discussed:
 - SECTION 3 National and Local Financial Risks
 - SECTION 4 Current financial budget gap
 - SECTION 5 Reserves Strategy
 - SECTION 6 Savings Strategy

3. NATIONAL AND LOCAL FINANCIAL RISKS

- 3.1. The Council is operating in a challenging and uncertain economic environment. As the Government continues to negotiate the country's exit from the European Union, the financial impact of Brexit on the country and on local government is unknown, but potentially significant in terms of legislation, inflation, interest rates and economic growth.
- 3.2. The impact on the UK economy may affect aspirations for the Government's deficit reduction programme and therefore the amount of funding available to local government. The political situation is also complicated by the general election held in June 2017 that saw the Government's parliamentary majority eroded.
- 3.3. Economic growth in the UK is slowing, with growth of 0.3% in Quarter 2 2017 and 0.2% in Quarter 1 2017. Inflation is also higher than the Government benchmark of 2%, with inflation in October 2017 measured at 3.0% (Consumer Price Index). The unemployment rate however is at an all-time low of 4.3% as at Quarter 2 2017.
- 3.4. The state of the UK economy will influence the amount of taxation income available to the Government and also the cost of income-based benefits and social support. This in turn can influence the national deficit reduction strategy of the Government and the balance of funding available to local government.
- 3.5. The MTFS for 2018/19 to 2021/22 recognises the significant changes to the national funding system as well as locally driven cost pressures and political choices. It has therefore taken a risk based approach in reviewing the financial pressures facing the council and how they should be mitigated across the medium term.

Future Budget Rounds

- 3.6. The Council will no longer receive Revenue Support Grant funding from the Government from 2019/20 and will have to rely on income generated in the Borough to fund services. The Council will only receive £102k of Revenue Support Grant in the 2018/19 financial year. The final year of the existing four-year settlement will also see the introduction of a Tariff Adjustment for the first time. For Cheltenham this amounts to £391,000 and has been referred to as negative Revenue Support Grant.

- 3.7. Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile. The Retained Business Rates scheme places considerable financial risk on the Council in terms of fluctuating business rates and funding the costs of business rate appeals, which directly affect the income that the Council can recognise.

Business Rates Retention

- 3.8. The Government did not reintroduce the Local Government Finance Bill in the Queen's speech after the June 2017 election. The Bill had set out the framework for 100% business rate retention that would have allowed local government in England to keep all of the £26 billion it collects in business rates. The fair funding review also appears to have been side-lined as the Government concentrates on Brexit negotiations. This would have reviewed the funding formulas for the distribution of resources to local government.
- 3.9. Under the current system roughly £13bn per year of business rates income is kept by Central Government to fund local authority services. This is referred to as the "Central share" and is redistributed to councils in the form of Revenue Support Grant (RSG) and other grants including New Homes Bonus (NHB). In future, if this sum is retained by local authorities, new burdens of a broadly similar value will be passed across to local government. As a result local government will not initially have more funding; over the longer term this will depend on whether business rates grow faster or slower than local authority service demands and costs, and to add further complication will depend on where the revised business rates baseline is set for the council which is currently proposed from 2020/21.
- 3.10. The council's DCLG set business rates baseline is £2.653m whilst, as a result of economic growth, £3.078m is now actually being generated and supporting the base budget in 2017/18. It is likely that the new baseline will be set taking into consideration business rates income retained over an average period, (say two years) and this will be compared to the reassessed needs of the Borough resulting in either a top-up or tariff to manage the difference between the two. If Cheltenham's baseline goes up then in order to retain any additional income the level of growth will need to increase.
- 3.11. Growth will be calculated as business rates income in excess of the revised baseline and will continue to be shared with the upper tier authority; the split of which is yet to be determined and forms part of the current DCLG thinking on Business Rates Retention.
- 3.12. Whilst levies on growth will no longer exist under the new system (the cost of which had been mitigated through the establishment of the Gloucestershire Business Rates Pool) and it is likely that some form of safety net will remain in place, councils will be subject to local volatilities within its own economies.
- 3.13. In previous years, local authorities have been funded through a mixed structure of grant e.g. RSG and locally driven income e.g. council tax and business rates which provided some mitigation of risk. Moving to a 100% retained system means the risk fully transfers to local government and as such individual councils must assess their level of risk and make appropriate contingency plans to manage the potential costs of the changing system and furthermore the local fluctuations in business rates revenue over time.

Business Rates Appeals

- 3.14. The impact of appeals remains volatile and there are a large number of appeals outstanding. Changes to the value of businesses can have a significant impact upon business rates collected and provision is made in the business rates estimate for future appeals which is reviewed annually. The 2017 revaluation when all rateable values are reset will generate a new round of appeals being lodged. Based on previous revaluations a very large number of appeals are likely to be lodged. Initially there will be no evidence to indicate the accuracy of the new rateable values and the likely success rate of appeals, therefore a significant increase in the provision will be necessary to address the high volatility.

New Homes Bonus (NHB)

- 3.15. There have long been concerns as to the sustainability of this funding stream, and in 2017/18 the Government changed the calculation for the award of the grant. Prior to 2017/18 the grant comprised six annual tranches, reducing

to five in 2017/18 and four thereafter. A baseline of 0.4% housing growth has also been introduced under which no New Homes Bonus grant is paid. The change in methodology resulted in the Council attracting £1.771m of New Homes Bonus grant in 2017/18, a reduction of £381k compared to previous years.

- 3.16. DCLG have recently consulted on further proposed changes to the current New Homes Bonus scheme which is intended to incentivise house building within local authority boundaries and may include an increase in the baseline target. The outcome of the consultation is not yet known and it is thought this may be wrapped up in the outcome of the Local Government Finance settlement, due to be announced in December 2017.

Council Tax

- 3.17. Council tax is considered an increasingly important mode of local government financing by Central Government. This is reflected in the decision to allow districts to increase council tax by £5 per annum or up to 2%, whichever is higher. Current projections also assume growth in the taxbase of 0.85% per annum.
- 3.18. The assumptions were made by the Government when establishing the reduction in RSG linked to the level of council tax base growth; however, locally the council will need to consider what levels of growth are likely and financially sustainable.
- 3.19. Furthermore, there is a corresponding cost to increasing the tax base with additional properties and residents to service which needs to be recognised and captured at certain steps or “trigger” points e.g. refuse / recycling collections. Council tax revenue appears to be being seen nationally as a future “cash cow” and it may be possible that the current limits in increases are raised, particularly given the likelihood of further funding cuts.

Fees & Charges

- 3.20. A significant proportion of the council’s funding comes from fees and charges. This is fast becoming an ever more important funding mechanism and one which is within the council’s gift to control, subject to any legislative, economic or political constraints.
- 3.21. However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how “recession-proof” an income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising in a recession.

Recession

- 3.22. The last recognised recession was in 2008; as a result it is likely that the country is closer than ever to the next economic dip. Economic peaks and troughs are a recognised inevitability and the council’s finances should be managed with this in mind – save during the peak years to support spend during the troughs. Taking this approach will see more emphasis placed on maintaining increasing levels of reserves, than in previous financial years.

Resources

- 3.23. Concerns around the council’s capacity and resources available to deliver multiple competing priorities has been raised and this is a key consideration for Executive Board and Cabinet when determining their priorities and the delivery of the proposed Savings Strategy. In particular, there will be a necessity to both realign base budgets and make one-off budgetary provision to support the delivery of priority schemes being supported and delivered by Place & Economic Development (P&ED). This specifically relates to the delivery of major growth, public realm & infrastructure schemes which will be crucial to the delivery of the council’s Savings Strategy.
- 3.24. The key risk is that if resource is not deployed to allow focus on the schemes which are of financial importance to the council the proposed Savings Strategy will not be delivered within the timescales required, resulting in a less managed response to funding cuts set down by central government.

4. CURRENT FINANCIAL BUDGET GAP

4.1. The MTFS develops a series of financial projections to determine the longer term financial implications, in order to deliver the council's aims. As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability which determines the funding gap. The package of measures required to equalise the two calculations forms the "Savings Strategy" identified in section 6.

4.2. The projection of the funding gap is shown in Table 1 below:

Table 1: Projection of Funding Gap	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		13,854,397	15,262,188	17,328,946	18,688,452
IN YEAR BUDGET VARIATIONS					
Increased costs of existing services					
General Inflation		72,970	63,200	65,000	65,000
Shared Services contract inflation		50,400	43,000	44,000	45,000
Ubico Ltd contract inflation		186,116	100,000	100,000	100,000
Employee related expenditure		164,600	172,400	177,000	177,000
Living Wage costs			4,000		
Pension costs - 2016 Revaluation		401,000	401,000	200,000	200,000
TCT savings deferred		150,500			
GROWTH		30,000			
INCOME					
Sustainable car parking and crematoria income		(150,000)			
Green Waste - demand / inflationary increase		(13,000)	(11,300)	(11,300)	(11,300)
Cemetery & Crematorium - inflationary increase		(33,900)	(34,700)	(34,700)	(34,700)
Recharges		(3,900)			
RESERVES					
Reversed Net Contribution from BSS Reserve		882,205	859,958	819,506	297,824
Reversed Net Contribution from BRR Reserve		(329,200)	469,200		
Projected Net Cost of Service	13,854,397	15,262,188	17,328,946	18,688,452	19,527,276
Government Grant support (RSG)	(544,030)	(102,300)	0	0	0
NNDR	(2,846,506)	(3,636,951)	(3,477,500)	(3,596,200)	(3,700,000)
NNDR pooling surplus contribution	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
NNDR S31 Grants	(676,296)				
National Non-Domestic Rate - 2015/16 (surplus) / deficit	303,960				
National Non-Domestic Rate - 2016/17 (surplus) / deficit	140,464	235,484			
National Non-Domestic Rate - 2017/18 (surplus) / deficit		359,368			
New Homes Bonus	(1,750,000)	(1,687,000)	(1,370,000)	(1,020,000)	(1,020,000)
Parish Council Tax Support Funding	10,269	5,169			
Collection Fund surplus contribution	(128,000)	(165,000)	(50,000)	(50,000)	(50,000)
Transition Grant	(74,197)				
Council tax income assuming council tax increases by £5 per annum from 2017/18	(8,090,061)	(8,428,000)	(8,708,982)	(8,993,464)	(9,281,446)
Projected Funding	(13,854,397)	(13,619,230)	(13,806,482)	(13,859,664)	(14,251,446)
Cumulative Funding Gap	0	1,642,958	3,522,464	4,828,788	5,275,830
Cumulative Funding Gap excluding BSS Reserve requirement		1,642,958	2,662,506	3,149,324	3,298,542

- 4.3. The projections above reflect a funding gap for the period 2018/19 to 2021/22 of £3.299m (i.e. the financial gap between what the council needs to spend to maintain existing services and the funding available excluding the use of the Budget Strategy Support Reserve). The key assumptions for the preparation of these projections are explained below:

General

- 4.4. The net costs of services have been estimated by using the approved 2017/18 base budget as the base for future projection's though to 2021/22.
- 4.5. This has included general inflation at 2% on insurances, utilities, postage, IT maintenance agreements and 3% for non-domestic rates. Where information is available, major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement.
- 4.6. An inflationary increase of 2% on shared service contracts has been included to take account of the increase in staff costs incurred in employing councils which will be recharged to the council. Furthermore a 2% increase on the current Ubico Ltd contract has been included however this assumption will be refined and amended as Ubico prepare their final budgets for 2018/19.
- 4.7. Historically, annual premises repairs and maintenance budgets have not been inflated which has resulted in increased pressure to be able to maintain and run the council's buildings within budget each year as prices continue to rise. To address this, inflation at 2% has been included in each of the years within the MTFS.

Employee related costs

- 4.8. The Chancellor had previously announced that public sector pay increases will be capped at 1%, and whilst pay awards in local government are covered by collective bargaining between employers and trade unions, and not subject to direct control from central government, it was not unreasonable to assume that the local government employers will mirror what happens in the rest of the public sector. However, on 5th December 2017, the National Employers made a final pay offer covering the period April 2018 to March 2020.
- 4.9. The offer comprises a flat rate increase of 2% for the next two financial years with some bottom-loading on the lower pay points in order to continue to close the gap with the National Living Wage (NLW). For interim budget modelling, a 2% increase has been assumed throughout the duration of the MTFS with a contingency held in general balances for an amount equivalent to a further 1%.
- 4.10. The net cost of service assumes an employee turnover saving of £350k per annum by the Council, which equates to 4.29% of base salary budget. This is allocated across service areas according to headcount and gives managers clear cash targets within which they have to manage.
- 4.11. The Council is part of the Gloucestershire Pensions Fund, which is administered by Gloucestershire County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary. The triennial revaluation of the Fund based on the position as at 31st March 2016, found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.
- 4.12. Contribution rates are calculated on an individual basis for each participating employer. For the Council's element of the fund, the funding level was assessed at 65% (compared with 60% in 2013), with a shortfall of £38.998m. The fund actuary is aiming for this deficit to be recovered over a 20 year period, giving the following target contribution rates for the Council for this three-year valuation period:
- a 18.3% future service rate which should cover the liabilities scheme members will build up in the future, plus

- an annual lump sum past service deficit contribution (£3.536m in 2018/19), to cover the shortfall in the Fund. Under the existing strategy the council is projected to move to a positive cash-flow position by 2019/20. This works on the assumption, as built into the MTFs, that the council pays a cumulative increase of £401k per annum reducing to £200k per annum in 2020/21 when the council moves to a positive cash-flow position.

- 4.13. The Chief Finance Officer has requested analysis from the actuary to explore the cash flow benefit to the council in making the required secondary sum payments to the Local Government Pension Scheme (LGPS) as a pre-payment for future year liability i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment. Currently monthly contributions are paid to the pension fund, however, if a prepayment of £7.473 million is made, it is anticipated that savings of £0.100 million could be realised over the final two years of the three year actuarial cycle.
- 4.14. From April 2016, a new National Living Wage of £7.20 an hour for those aged 25 and over was introduced. This will rise to over £9 an hour by 2020. The majority of the Council's staff are already paid above the Living Wage, however for a small number of employees who will remain under £9 per hour by 2020, the cost of £4,000 has been included from 2019/20 to allow for this increase.
- 4.15. An increase of 2% per annum has been assumed on members' allowances, in line with the anticipated employee annual pay award. This is included within staff costs and totals c. £7k per annum.

The Cheltenham Trust

- 4.16. The Cheltenham Trust was established in October 2014 and the original business case projected savings over the first 5 years of the contract totalling £835k. Whilst the Trust has delivered substantial savings totalling £642k in the first 3 years of trading, the current financial climate, with the reliance on income growth, has resulted in a request for a deferral of the savings target of £150,500 in 2017/18.

Fees & Charges

- 4.17. In previous years, a general assumption for a 2% increase in non-statutory fees and charges has been factored in. However, this has resulted in an increasing necessity to freeze prices within certain service areas that would be detrimentally impacted as a result either through local pressures or as a result of national legislative requirements.
- 4.18. Rather than continue with this approach, the MTFs no longer assumes a 2% inflationary increase but instead has opted for a fundamental year on year review of fees and charges to ensure they consider the costs of service provision, legislative requirements and competitive pricing structures.

Revenue Support Grant (RSG)

- 4.19. On 8th February 2016, the Secretary of State for Communities and Local Government announced the final local government settlement for 2016/17. In addition to the detailed proposals for 2016/17, figures were also provided for each financial year up to 2019/20. The proposed settlement for 2018/19 indicates a further grant reduction in cash terms of £0.362m or 11.4%.

Retained Business Rates

- 4.20. The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rate yield is divided – 50% locally and 50% to the Government. The Government's share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the district councils' share has been set at 80%, with the County Council's share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.

- 4.21. In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the government levy from 50% to 8%. Any surpluses generated by the Pool are allocated in accordance with the governance arrangements agreed by the Gloucestershire councils.
- 4.22. There is a high level of volatility in the business rates system, mainly due to the level and impact of appeals lodged against rateable values but also due to the natural turnover of businesses, properties being left empty or demolished and the increasing trend for commercial properties to be converted into domestic dwellings. Changes to the value of businesses can have a significant impact upon the business rates collected. These factors make it difficult to predict the level of income the Council can retain in the future. Previously, for modelling purposes growth of 3% against the baseline has been predicted. Additional work has been undertaken to gather intelligence available about any growth or decline in the business rate property base and forecast the level of business rates income over the next 3 years. There is still a degree of uncertainty as forecasting is based on high level information and it is not until the Valuation Office Agency visits a completed building that a final rateable value is known. The estimated timing for new, redeveloped or demolished premises may also be incorrect.

New Homes Bonus

- 4.23. 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 now provides match funding of £1,590 for each new property for four years (based on national average for band D property – i.e. £6,360 per dwelling over four years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 4.24. 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.
- 4.25. The Council now includes 100% of its New Homes Bonus funding within base budget equating to £1.687m in 2018/19 under the current methodology. As detailed under sections 3.15 – 3.16 the current NHB scheme is out for consultation and there may be significant changes to the current arrangements.

Council Tax

- 4.26. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates. This is assessed annually and an estimate of £50k per annum has been assumed for the period covered in this MTFS with the exception of 2018/19 which has been calculated based on data held.
- 4.27. The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The Council’s taxbase is forecast to increase by 0.85% each year for the purposes of modelling the MTFS and a council tax increase of £5 per annum is assumed from 2018/19.

Funding Gap

- 4.28. Given the expectations on councils to make a significant contribution to reducing the national budget deficit, this Council faces a significantly more challenging financial position in the early years of the MTFS. The latest projections indicate a gap of £3.299m for the period of the MTFS (2018/19 to 2021/22).
- 4.29. To enable time to deliver such a significant savings target over the period to 2021/22, to mitigate the financial risks captured in section 3 and to smooth out fluctuations in income levels a robust Reserves Strategy is required to supplement and support the Savings Strategy.

5. RESERVES STRATEGY

- 5.1. The council is aspirational and horizon scanning in the approach it takes to delivering its services, and supporting those it works with in partnership to ensure Cheltenham is a vibrant and desirable place to live, work and invest. As a result,

when funding has become available either through budget underspends or one-off funding, a strategy of utilising opportunities for improving and investing in the town has been followed.

- 5.2. However, recognising the change in the council's short to medium term finances has required an alternative approach to be taken over the next few financial years with a focus on delivering services within approved budgets and enhancing the council's reserves to ensure it is able to meet any unforeseen costs in the future and also mitigate known risks and forecast cost pressures, particularly those arising from changes in the way local government is financed post 2019/20.

Budget Strategy Support Reserve

- 5.3. As part of the 2016/17 budget setting process, the Budget Strategy Support Reserve (BSSR) was established to provide greater resilience and time for the council to embed its savings strategy and allow for slippage in savings delivery.
- 5.4. Savings previously identified as part of the last iteration of the MTFs have indeed slipped and this version adopts an alternative approach to delivering a Savings Strategy which will in turn take time to deliver and furthermore may inevitably suffer from slippage. As a result the BSSR will need to be suitably resourced to not only mitigate the forecast delay in the delivery of savings but also be robust enough to support any reported slippage during the MTFs period.
- 5.5. The Savings Strategy detailed in Section 6, identifies a need to fund £1.977m from the Budget Strategy Support Reserve in addition to the £882k used to support the 2017/18 budget, a total need of £2.859m. There is currently £2.034m in the BSSR as at 1st April 2017.
- 5.6. However, this projection assumes the Savings Strategy can be delivered in full and on time and it would be prudent to further build up the BSSR to allow for a 10% slippage in savings, an additional c. £400k. The Council therefore needs to allocate a further £1.2m to the BSSR. This should be sourced as above through in-year underspends, fortuitous windfalls and where appropriate, reserve realignment.

Business Rates Retention Reserve

- 5.7. The move to 100% locally driven funding following the introduction of 100% Business Rates Retention will build in an increased risk of volatility in the council's financial planning. This needs to be appropriately managed and understood by the organisation as full reliance will be placed on the performance of the local economy with a drop in business rates income having the potential to force further service cuts. As such the Business Rates Retention Reserve (BRRR) needs to be strengthened to mitigate the risks outlined in sections 3.8-3.14.
- 5.8. The BRRR should be increased to a target of £500k to allow for the potential reduction in income arising from the risks as identified. There is currently £150k in general balances specifically to cover fluctuations arising from pooling arrangements together with £236k projected to be held in the BRRR at 31st March 2018. The council is already mitigating fluctuations in income levels arising from changes in the local economy and moving forward will face even greater exposure to such volatilities under the reformed retention system.
- 5.9. Any Collection Fund and Pool surpluses over and above those assumed in the Savings Strategy should be earmarked for the BRRR to ensure a base level of reserve is in place in advance of the implementation of 100% Business Rates Retention.

General Balances

- 5.10. General Balances are held to protect existing service levels from reductions in income levels as a result of economic downturn and other unforeseen circumstances. CIPFA's Local Authority Accounting Panel (LAAP) issued a guidance bulletin on local authorities' reserves and balances.
- 5.11. 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.

5.12. The council has, over a number of years, earmarked significant funds for specific reserves. These are reviewed twice yearly by Full Council under the guidance of the Chief Finance Officer (S151 Officer). Over the course of this MTFs, the value of earmarked reserves will be reduced as they are used to finance planned expenditure.

5.13. The General Balances calculation is attached to this strategy at Annex A.

6. SAVINGS STRATEGY

6.1. As detailed in the previous sections, the council has a significant funding gap to resolve as well as a number of financial risks to manage. Given the ambitious nature of the council and its desire to ensure Cheltenham is a place where residents and visitors wish to work, visit and live the savings strategy for the medium term must reflect these aspirations and not jeopardise these core priorities whilst recognising that the net cost of the council's services must reduce over time.

6.2. The proposed key building blocks for the executive team structure of Place and Economic Development; Organisational Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves, are the key drivers for delivering the savings strategy.

6.3. The savings strategy looks inwards at service transformation and modernisation, outwards at economic growth and investment, and relies heavily on collective ownership and oversight. The Council has an ambition to become more commercial in order to move towards a greater level of financial self-sufficiency. This will require a change at strategic level that will affect the whole organisation, taking into account the tight geography of the Borough, the pace of change desired and the high level of senior leadership buy-in required.

6.4. The commercial strategy is attached to this strategy at Annex B. This commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management. Each of these will contribute towards our ambition to make Cheltenham Borough Council a leader of innovation, enterprise and growth which others will aspire to and wish to collaborate with.

6.5. The savings strategy indicates broadly how the Council may close the projected funding gap over the period 2018/19 to 2021/22. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources allocation is essential to address under-met needs.

(1) Place and Economic Development

6.6. **Place and Economic Development** – refers to “place shaping” in its widest sense – being clear on the ambitions for Cheltenham, gaining alignment and commitment from others on the scale of ambition, and having clarity of purpose, intent and delivery to make sure that Cheltenham is and continues to be a “place where everyone thrives”.

6.7. One of the strengths of the Cheltenham economy is its diversity. With the exception of GCHQ, we are not overly dependent on one or two major employers or on the performance of a specific industrial or service sector. It is possible to influence how Cheltenham is shaped, by supporting and encouraging existing and new businesses, marketing the town's rich cultural and dynamic offer and promote inward investment.

- 6.8. A new senior leadership post was created - MD for Place & Economic Development – plus two director level posts covering Planning and Environment. The savings targets were set for the Cost of Service Reduction (£157.5k) which is scheduled for delivery in 2018/19 as approved by Cabinet. The transformation programme has seen a new approach to service delivery – encouraging cost effective and agile working practices. The new approach has enabled the delivery of Marketing Cheltenham (officially launched in Nov 2017), the creation of a business support team, and intern programme and delivery of an agile working project. The programme will continue to drive the savings targets whilst delivering priorities and service improvements.
- 6.9. Following the change in approach to income inflation within the forecast for the funding gap, a new target has been introduced under the P&ED Transformation covering a review of fees and charges and income generation opportunities. This reflects that whilst it is recognised that a flat 2% inflationary increase is no longer appropriate, a review of the fees and charges made by the services within P&ED should year-on-year result in an additional base budget contribution. The £50k per annum target represents less than 1% of the P&ED 2017/18 income budgets, inclusive of car parking and excluding cemetery & crematorium which is subject to inflationary increase.
- 6.10. Cheltenham is uniquely placed to grow. The creation of a growth zone, as promoted in the Strategic Economic Plan (SEP), is to ensure the availability of quality employment land in proximity to the M5 motorway, attractive to businesses and with excellent connectivity throughout Gloucestershire and the rest of the UK. This will serve latent demand in the marketplace and provide space required to enable businesses to grow; particularly in the town's margins and with the neighbouring district of Tewkesbury, which is also geographically well positioned to deliver growth development to the north-west of Cheltenham and along the M5 corridor.
- 6.11. A 45 hectare site in West Cheltenham has been identified to create a Cyber Business Park, closely connected to the delivery of GCHQ's cyber security innovation centre, seeking to create a cluster of cyber and associated businesses. Initial estimates suggest that this site alone could generate significant additional business rates, of which under existing regulations, Cheltenham would retain 40%. There are obvious constraints such as planning, which will need to be considered alongside the Joint Core Strategy and furthermore the proposed changes to the Business Rates Retention Scheme mean that it is currently unclear how growth would firstly be retained by, and secondly shared between upper and lower tier authorities. It is also important to consider the wider impact and economic significance this cyber business park would have – attracting a wide range of international investors and business.
- 6.12. A further site in North West Cheltenham should deliver an Increase in Business Rates given the anticipated economic growth arising from development at this site. Although the majority of the NW Cheltenham growth is outside of the borough, there is a considerable area that is in Cheltenham. A planning application has recently been submitted and subject to the usual safeguards regarding economic pressures and planning constraints, it is prudent to estimate business NNDR growth from 2019/20.

(2) Organisational Change

- 6.13. The **organisational change** element of the medium term savings strategy currently has two key areas of focus over the life of the savings plan; savings following the creation of The Cheltenham Trust which formed part of the original business case when the trust was created in 2014 and savings targets arising from transformation and modernisation of service delivery within the authority which are in addition to the savings target to transform regulatory and environmental services.
- 6.14. Whilst the Place and Economic Development (P&ED) programme, which started in 2016, is progressing the current position is that only part of the authority is undergoing a programme of modernisation and change and this now needs to be addressed.
- 6.15. The vision for the services that has emerged through the P&ED transformation programme is services that are financially sustainable, have a commercial mind-set, foster creativity and innovation, with a strong customer and community ethos, and which are flexible and drive out as much as efficiency as possible. The objectives of the services is to be:

- Customer focussed - with services delivered in a way that is convenient for the customer and in a way that meets their needs;
- Supportive to economic growth;
- Efficient – with joint up services provided at minimal cost.

6.16. The key focus for this work-stream going forward will be around the development of a business case for a new authority-wide organisational model, where customer journeys and processes are efficient and easy, supported by the appropriate technology and where staff have the ability to work flexibly, with the requisite skills, knowledge and experience to deliver. A high level business case assessment has been commissioned to establish the potential level of savings achievable through an authority-wide approach to organisational change. The work to date would indicate that the savings shown are achievable. However, as the assessment requires further scrutiny the targets are highlighted as red.

(3) Finance and Assets

- 6.17. **Finance and assets** – we recognise the continuing need for sound strategic financial planning in the context of uncertainty in the national local government finance landscape, and in a context where more of the authority's ongoing financial revenue will come from business rates or commercial opportunities with a potentially higher risk profile.
- 6.18. The relationship between how we develop, grow and utilise our assets needs to be influenced by our ambition for Place, how we use our assets strategically and in the long term to achieve the outcomes we want to see for the town and also the wider county of Gloucestershire.
- 6.19. Active asset management of the authority's asset portfolio and maximising the return from the authority's own assets to help deliver a sustainable financial plan will be increasingly important and is a complex area. Decisions around the extent as to the commercial investment opportunities will heavily rely upon careful and sound strategic financial advice and support. The key aims are to ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough.
- 6.20. The principles of the latest settlement allow authorities to spend locally what is raised locally. In order to do this it needs to grow its taxbase through growth, regeneration and reasonable tax increases. It also needs to ensure the taxbase is maximised through effective management and by using measures available, including counter fraud, reducing the number of empty premises and working effectively within the parameters of the planning process with regards to land supply.
- 6.21. The Council will need to have a relentless focus on generating additional sources of revenue income as government grant continues to fall and interest rates remain low. It is unrealistic for this focus to be purely on fees and charges to the public. Rather the focus, where market conditions allow, should be on areas such as: investments in the commercial property portfolio and regeneration through both direct and indirect investment to boost local economic activity. 100% retention of business rates will place greater emphasis on this activity and may require collaborative working with the LEP. Effective realisation and reinvestment of capital receipts alongside external and internal borrowing is also a crucial element.
- 6.22. The appetite for risk within our treasury management investments will need to be challenged as returns from traditional fixed term cash deposits are minimal. Real growth will need to be from alternative investment sources such as investment in property funds and multi-asset funds which include exposure to the bond and equity markets.

(4) Use of Reserves

- 6.23. As has been outlined in section 5, the savings strategy will take time and resource to deliver and the front-loading of the funding gap exacerbates the financial position. The council must therefore draw on its reserves to provide short-term support, specifically the Budget Strategy Support Reserve (BSSR).

Table 2: SAVINGS STRATEGY						
	2017/18	2018/19	2019/20	2020/21	2021/22	Total 2018/19 to 2021/22
Total Current MTFS Funding Deficit	2,016,986	1,642,958	1,879,506	1,306,324	447,042	5,275,830
1. Place and Economic Development						
Transformation of Regulatory & Environmental Services delivery		157,500	100,000			257,500
Review of fees & charges and income generation opportunities	50,000	50,000	50,000	50,000	50,000	200,000
Car Parking - volume analysis	200,000					
Creation of the Business Improvement District (BID)	16,000					
Growth through increase in business rates and place-making			350,000	450,000	200,000	1,000,000
Total	266,000	207,500	500,000	500,000	250,000	1,457,500
2. Organisational Change						
Corporate Overheads - reduction in costs	8,300					
Commissioning - reduction in cost of service	50,000					
Revenues and Benefits restructure		80,000				80,000
Hire of depot for TBC co-mingling contract	22,000					
Saving from Single Advice Contract	25,000					
Increase Green Waste by £4 and increase Discount to £3	40,000					
L&C Review - trust savings			100,000	93,500		193,500
Transformation and Modernisation				65,000	200,000	265,000
Total	145,300	80,000	100,000	158,500	200,000	538,500
3. Finance and Assets						
Review of Internal Audit and Corporate Fraud Unit	43,000					
Net increase in charges to Housing Revenue Account / CBH from One Legal	23,900					
Procurement savings	60,000		10,000			10,000
Property Services - reduction in cost of service	25,000					
Business Rates additional target through pooling	200,000	150,000	50,000			200,000
Treasury Management activity		170,500				170,500
LGPS pre-payment discount		100,000				100,000
Additional Depot rent - Ubico		25,000				25,000
Commercial rationalisation of existing assets, investment portfolio income generation, treasury management activity and finance related initiatives		50,000	400,000	350,000	300,000	1,100,000
Total	351,900	495,500	460,000	350,000	300,000	1,605,500
4. Use of Reserves						
a) Use of one-off payment holiday on VRP	400,000					0
b) MRP saving through change in methodology	95,000					0
* Use of Budget Strategy (Support) Reserve	882,205	859,958	819,506	297,824		1,977,288
L&C Review - trust savings deferred	150,500					
* B/Fwd deficit funded by Budget Strategy (Support)						
Reserve in previous year	(273,919)					0
Total	1,253,786	859,958	819,506	297,824	0	1,977,288
Total Identified Savings/Income	2,016,986	1,642,958	1,879,506	1,306,324	750,000	5,578,788
Shortfall / (Surplus) against MTFS Funding Gap	0	0	0	0	(302,958)	(302,958)

NB: traffic lights denote risk associated with delivery

* denotes decisions already made by Cabinet/Council

6.24. The table above summarises the work streams and uses a traffic light system to denote the risks associated with delivery.

Risks Associated with Delivery

6.25. Those treated as green are on target for delivery and the risks of failing to deliver are considered low – for example, the savings have already been approved / implemented. Savings treated as amber are considered to have risks associated with delivery however initial work has commenced to establish that the targets are realistic and deliverable, albeit more work is required before they can be considered as green. However, the savings considered red have significant risks associated with them – they are in essence, high level strategic targets and will require initial planning and resourcing to firstly identify how the intended outcomes will be delivered and secondly to confirm the feasibility of the targets set.

Resource Prioritisation

6.26. The targets set in the Savings Strategy will be challenging and the level of resource and capacity required to deliver them should not be underestimated. As mentioned above, both budget realignment and one-off budgetary provision is likely to be needed to provide sufficient resource to deliver such an ambitious Savings Strategy. The Cabinet and Executive Board should ensure that resource is focussed to deliver the key priorities outlined in the strategy which will ensure the council's financial future and avoid budget cuts whilst ensuring that appropriate budgetary provision is made for identified funding needs.

6.27. As such, if resource is not successfully prioritised and officers' time is diverted from the delivery of the Savings Strategy the challenging targets will not be delivered and the council's financial future will be detrimentally impacted. The financial risks around the changes to local government finances and the national financial climate outlined in section 2 clearly explain why the council's focus must be on delivering the Savings Strategy in the medium term which in turn may require other corporate priorities to be pushed into the longer term.

7. CONCLUSION

7.1. The council has a track record of strong financial management but is now in a period of significant volatility and uncertainty. The council must plan now to ensure its financial position is protected across the medium term as changes to local government finances crystallise and the implications are known.

7.2. Both the Reserves and Savings Strategy should be followed in tandem, with Cabinet and Executive Board leading the way with delivery to ensure financial stability and sustainability with the achievement of the council's vision for the future of Cheltenham.

ANNEX A: WORKING BALANCE – CALCULATION OF OPTIMUM LEVEL**Background**

There are two approaches for deciding the optimum level of working balance. One approach is to apply a percentage to Net Budget Requirement, currently assessed as 10% (giving approximately £1,400,000). The alternative is a level based upon a risk assessment of the budget.

The Council uses a risk based approach to assess the appropriate level of working balance.

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

- Inflationary pressures.
- Pension Fund changes.
- Planned savings measures
- 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	Historically the cost of pay awards has caused major variations to budget estimates. The National Employers have offered a 2% pay award per annum for the two years up to 2019/20. A provision of £82,000 (1%) is recommended within the working balance to offset the risk of the offer not being accepted. 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 2017/18 contract value suggest a figure of £93,000 should be kept as a provision in the working balance.
2.	Pension Fund Changes	The 2016 triennial review has brought a degree of certainty to future pension costs for 2017-2020. These should not impact adversely on the Council in the next 12 months so no specific provision is required at this point. However following the 2019 triennial review to be received in November 2019 further consideration to provision will need to be given.
3.	Planned savings measures	The Savings Strategy identifies £3.601m of savings targets to be delivered across 2018/19 to 2021/22. Slippage can occur and the Red Amber Green (RAG) system for identifying those work streams at risk of slippage within the Savings Strategy. Currently the strategy notes £350,000 of work streams considered 'amber' or 'red' for 2018/19 in terms of delivery and so these are accommodated within the working balance (exclusive of car parking increase which is covered under volume variations). The Council's base budget includes an annual target of £350k to recognise staff vacancy management which has been allocated out to cost centre managers which has ensured more transparency and ownership of the target. However, a smaller workforce coupled with reducing opportunities in a depressed public sector could impact on this budget principle and therefore a 10% allowance, equivalent to £35,000 for this is included within the working balance.
4.	Interest rate variations	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 2018/19.

	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 however the risks associated with volatility should be better reflected particularly given recent fluctuations in planning, car parking and building control income. As such a 2% provision amounting to £200,000 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	The level of risk associated with litigation is considered to be reducing over time however risk does still remain and as such a provision of £200,000 is retained. The council holds a separate earmarked reserve for planning appeals which is also available if required.
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 reserves.
9.	Financial guarantees/ contingent liabilities	Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.
10.	Grant income	No new grant streams are anticipated in the 2018/2019 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.

CONCLUSION

The assumptions above total £1,280,000 suggesting that we strive to maintain a working balance around this figure during 2018/19. The Council should not allow the working balance to fall below this figure. The current working balance is £1,358,591 at 31st March 2017.

Cheltenham Borough Council Commercial Strategy

Background and Purpose

Councils are facing a tough and complex set of pressures with cuts in funding, rising demand for services and economic growth challenges. With further funding cuts proposed and greater market competition we need to take more control of our future becoming commercially focused to help make our council financially sustainable. At CBC we have an underlying revenue budget gap which is forecast to be in excess of £3.2m by 2021/22 principally due to reductions in revenue support grant, uncertainties in future Government funding and increasing demand and costs.

Part of our drive towards financial sustainability will include identifying new opportunities to generate income and investment in projects which provide good financial returns. Whilst undertaking commercial activity we should not lose sight of our values and our ambitions for our communities to achieve a promising future.

Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.

Our Vision

The council's vision statement sets out its aspirational goals for the long-term future of Cheltenham one that delivers the very best quality of life for its people. Whilst delivering this vision the Government expects councils to make a significant contribution to reducing the national budget deficit through reductions in our 'core' funding over the next few years. These reductions will lead to difficult decisions and may require some 'one off' financial investments to enable longer-term savings to be delivered.

The principles of the latest finance settlement allows authorities to spend locally what is raised locally which is the major driver towards 100% business rate retention and this means our commercial approach towards investment is critical to our future thinking for delivering savings and generating additional income. Our commercial vision is:

To become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22.

Our Approach

We will:

- Adopt behaviours and make decisions which start to develop a commercial culture whilst retaining strong public, community and social values.
- Partner and work with others who share our ethos and values.
- Be innovative and resourceful to create efficiencies.
- Invest in schemes and projects that improve productivity, reduce costs, collaborate with partners and seek ways of using our assets to generate additional income.
- Adopt an approach which allows everybody to share their ideas and our people are involved in activities which develop our new approaches.
- Invest in approaches to support and develop our staff to become more commercially minded.
- Ensure governance, management and performance of new commercial enterprises, partnerships and contracts continue to be robust ensuring we adhere to our statutory responsibilities and public money continues to be appropriately used and accounted for.
- Recognise that we need to be risk aware, not risk averse which will involve making decisions against prescribed criteria.

Commercial Assets

Cheltenham Borough Council has a rich source of assets, attributes and roles from which we can derive commercial value and these are summarised in Appendix 1. These assets and attributes will be applied and assessed against the following criteria:

- Financial objective
- Revenue delivery
- Risk
- Control
- Liquidity
- Management oversight
- Performance
- Diversification

This will enable us to determine how we work, where we work, who we work with and influence how we take investment decisions.

Commercial Definitions

There are lots of definitions in relation to commercialism and to ensure we all have the same shared understanding we have developed some definitions.

Commercialism

For us, 'commercialism' is an understanding of how we as an organisation need to operate in a more business like way. This involves working with our people to help them to start thinking in a different way, in essence, helping them to develop a more commercial 'mind-set', creating an environment that allows them to be innovative, encouraging them to embrace new flexible working and agile approaches and

where applicable, supporting them to develop approaches that enable 'trading' and 'selling' of services. This essentially means making sound 'business' decisions in terms of resources and investments.

Enterprise

We see this as the ability to think and act differently when considering the ways we manage, operate, deliver, and resource our services to create best value for our residents and customers. We need to become resourceful, innovative and develop the confidence to consider options that would not previously have been considered. We need to drive behaviours that support the idea that failure must be viewed as a learning opportunity as well as pioneering new ways of working and learning.

Through our Workforce Strategy we will develop approaches that bring out the enterprising 'spirit' in our people and volunteers giving them skills and creating the environment enabling them to be inquisitive, innovative and enterprising. We will develop relationships and work with partners who share our ethos.

Trading

We are a multi-faceted organisation which commissions and provides a wide range of services across the borough. Outside of the traditional treasury management instruments, we may wish to consider trading in markets and sectors beyond our boundary using the skills and expertise of our people. We recognise that not all services have the opportunity to 'trade' or charge customers for services to generate income.

Investment

Our capital investment decisions go beyond the traditional Public Sector approach of achieving social and community goals, replacing infrastructure and improving land and buildings. Our principal focus will be on investing in projects and schemes that generate a financial return on investment for the Council.

This approach will provide the Council with greater resilience and support the vision of being a financially sustainable council by 2021/22. All Capital Spending Decisions should focus on achieving at least one of three main drivers:

- **Revenue generation / invest to earn:** For example, proposals that generate new sources of income for the Council, such as investment in land and property development, rental property, green energy renewables, schemes that grow our business rates income, or proposals to enable existing revenue streams to be maintained longer into the future.
- **Invest to save:** For example, proposals to introduce new technologies and redesign services to reduce demand and promote independence.
- **Social Value:** For example, proposals that will bring collective benefit to a community.

Directors will oversee all commercial business activities ensuring they are appropriately governed, scrutinised, managed and monitored. Investment decisions will be made having applied a robust business case methodology and will be evaluated against key investment principles. A set of financial and non-financial criteria shall be used to assess which schemes and projects are taken forward.

Commercial Outcomes

The key outcomes that are directly linked to commercial activity can be summarised as;

- Commercial operating is increasing across the Council
- The efficiency of the Council has been improved
- Generating additional and sustainable income streams for the Council.
- Reducing the net budget of a service by reducing controllable costs of a service whilst still achieving service outcomes.
- Having staff with a commercial 'mind-set' across the organisation through developing and upskilling our staff to be more enterprising and innovative.

We are working through the details of our commercial outcomes and, once completed and risk-assessed, we will build these into our future Financial and Treasury Strategies. In the meantime the following aspirational targets have been proposed and will be further refined during 2018:

- To deliver a minimum of £0.7m of new revenue income by the 31st March 2020.
- To reduce back office costs by 5% by 31st March 2022.
- To develop and deliver commercial skills development to Council staff commencing in 2018 which will support this ambitious cultural change.
- To make significant efficiencies in the way we manage our buildings and reduce cost or increase output by over 5% by 31st March 2022.
- To deliver £2m of capital receipts by 2020.

It will be the responsibility of the Chief Finance Officer to report to Executive Board and Cabinet, progress against the timescales, outputs and commercial activities that are set out in the Medium Term Financial Strategy.

Appendix 1

Commercial Assets

Staff	Using and developing the knowledge and skills of our workforce to create the culture of trust, empowerment and involvement in commercial activities.
Land and buildings	Ensuring our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough to generate capital receipts and reduce costs. Through master-planning of key strategic sites, using our land and buildings to promote and deliver housing and economic growth.
Liquid assets	Access to cash, cheap borrowing and liquid assets to enable investment.
Infrastructure	Using and developing our digital and ICT platforms, public open spaces, car parks, street furniture and other infrastructure for commercial gain.
Partnerships	Using and selecting the most appropriate private, public and third sector partner to deliver the schemes and projects that derive the maximum level of income for the Council and value for customers, residents and communities.
Place shaping role	Using our strategic planning and economic development roles to shape and create the market for growth and enterprise.
Business intelligence	Working alongside the Cheltenham Business Improvement District (BID) and the Cheltenham Development Taskforce (CDTF) we will use our vast amount of business and service data more intelligently to create new commercial opportunities and better service delivery models which will generate new income for the Council.
Customer intelligence	Using the various channels that the Council has to communicate with the public and use the customer information and contacts we have to help design and develop new commercial opportunities.
Market strength	Use our economic, infrastructure and asset strength to influence how the supply chain and infrastructure providers operate and partner with the Council to derive commercial benefits and new income streams.
Brand and web presence	Using the high value of our web presence, search engine optimisation and brand value to promote our trading and commercial activities and those which we can partner with others to receive a financial return. Cheltenham already has a strong brand image, we need to refresh this and make it relevant to a changing market, building on our strengths, and making sure we deliver beyond expectations.
Democracy	An ethos to develop commercially for the wider public good.

This page is intentionally left blank

PROPOSALS FOR GROWTH

Ref	Division	Project Name	Description				Capital Costs
				2018/19	2019/20	2020/21	2018/19
				£	£	£	£
SUPPORTED GROWTH							
1	Commissioning	Strategic Clienting	Enhanced contribution to support the strategic client role overseeing the delivery of the waste and recycling and other environmental services.	30,000	30,000	30,000	
				30,000	30,000	30,000	
SUPPORTED ONE OFF GROWTH (FUNDED FROM HOMELESSNESS RESERVE)							
2	Place & Economic Development	Contactless donation points	Contactless donation points to install in the town, with the money raised to support homelessness charities	20,000			
				20,000	-	-	
SUPPORTED GROWTH (FUNDED FROM CAPITAL RESERVE/RECEIPTS)							
3	One Legal	Case Management system	The new Case Management System, when fully implemented, should deliver staffing efficiencies of between 5% - 10% which would free up resource to take on additional third party work as envisaged by the Business Plan and the anticipated increase in third party income would be estimated to exceed, over the three year period, the procurement cost		(30,000)	(30,000)	80,0
				-	(30,000)	(30,000)	80,000

This page is intentionally left blank

	<u>Purpose of Reserve</u>	<u>31/3/17</u>	<u>2017/18</u>	<u>Proposals</u>	<u>2017/18</u>	<u>31/3/17</u>	<u>2018/19</u>	<u>Proposals</u>	<u>2018/19</u>	<u>31/3/17</u>	
			<u>Movement</u>	<u>to Support</u>	<u>Reserve</u>		<u>Movement</u>	<u>to Support</u>	<u>Movement</u>		
		£	Revenue	2017/18 Budget	Re-alignment	£	Revenue	2018/19 Budget	Capital	£	
			£	£	£		£	£	£	£	
Other											
RES002	Pension and Restructuring Reserve	To fund future pension and restructuring liabilities	0	-200,000		-200,000		-200,000		-400,000	
RES003	Economic Development & Tourism Reserve	To fund future economic and tourism studies	-104,200			-104,200				-104,200	
RES005	Keep Cheltenham Tidy Reserve	Keep Cheltenham Tidy campaign - scheme contributions	0			0				0	
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	-78,616	36,500		-42,116	36,500			-5,616	
RES026	Social Housing Marketing Assessment (SHMA) Reserve	To fund Social Housing Marketing Assessment work	-43,534	-2,500		-46,034	-2,500			-48,534	
RES009	Twinning Reserve	Twinning towns civic visits to Cheltenham	-5,579			-5,579				-5,579	
RES010	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	-122,127	4,227		-117,900	50,000			-67,900	
RES014	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	-91,606			-91,606				-91,606	
RES016	Joint Core Strategy Reserve	To fund Joint Core Strategy	-18,780			-18,780				-18,780	
RES018	Civic Pride Reserve	To pump prime civic pride initiative / match funding	-301,188	105,100		-196,088	105,100			-90,988	
RES020	Ubico Reserve	Replacement fund	-94,000			-94,000				-94,000	
RES021	Cheltenham Leisure & Culture Trust	To cover unforeseen deficits in operations within new trust	-120,000	120,000		0				0	
RES022	Homelessness Reserve	To cover future homelessness prevention costs	-41,100			-41,100				-41,100	
RES023	Transport Green Initiatives Reserve	To fund Transport Green Initiative Schemes	-33,825			-33,825				-33,825	
RES024	New Initiatives reserve	To fund 2020 Vision transformation programme	-850,000			-850,000				-850,000	
RES025	Budget Strategy (Support) Reserve	To support budget strategy	-2,034,053	882,205		-1,151,848	56,800			-1,095,048	
RES025	Budget Strategy (Support) Reserve	Additional Crematoria income to 2nd chapel build scheme	0	-373,550	373,550	0				0	
			-3,960,969			-3,015,437				-2,969,537	
Repairs & Renewals Reserves											
RES201	Commuted Maintenance Reserve	Developer contributions to fund maintenance	-203,207	59,000		-144,207	59,000			-85,207	
RES204	I.T. Repairs & Renewals Reserve	Replacement fund	0	-37,200		-37,200	-50,000			-87,200	
RES206	Delta Place Reserve	maintenance fund	-100,000	-100,000		-200,000	-100,000			0	
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	-1,287,137	521,982		-765,155				55	
			-1,590,345			-1,146,563				63	
Equalisation Reserves											
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	-110,000	-41,000		-151,000	-41,000			0	
RES102	Planning Appeals Equalisation	Funding for one off appeals cost in excess of revenue budget	-207,932			-207,932				32	
		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	0			0				0	
RES104	Interest Equalisation	Fund cyclical cost of local plan inquiry	-107,230			-107,230				-107,230	
RES106	Elections Equalisation	Fund cyclical cost of local elections	-137,100			-137,100				-137,100	
RES107	Car Parking Equalisation	To fund fluctuations in income from closure of car parks	-330,000			-330,000				-330,000	
RES108	Business Rates Retention Equalisation	To fund fluctuations in income from retained business rates	-355,642	-113,619		-469,261	469,200			-61	
			-1,247,904			-1,402,523				-974,323	
Reserves for commitments											
RES301	Carry Forwards Reserve	Approved budget carry forwards	-376,700	376,700		0				0	
CAPITAL											
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	-269,778	-236,400		-506,178	-236,400			-742,578	
TOTAL EARMARKED RESERVES			-7,445,695			-6,070,700				-5,924,000	
GENERAL FUND BALANCE											
B8000 - B8240	General Balance - RR	General balance	-1,358,591			-1,358,591				-1,358,591	
			-1,358,591			-1,358,591				-1,358,591	
TOTAL GENERAL FUND RESERVES AND BALANCES			-8,804,286	1,001,445	373,550	0	-7,429,291	146,700	0	0	-7,282,591

This page is intentionally left blank

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
		RESOURCES						
		Property Services						
CAP601/2/3	PB/C/PPMR	Crematorium Scheme: First Chapel		7,008,100	8,203,300	-	-	-
CAP505	PB/GCR	Town Centre acquisitions	Works on Shopfitters site	-	47,406	-	-	-
CAP506	GCR	Enterprise Way Phase 2	Industrial units to complete development	-	60,000	525,000	-	-
CAP700	PB/GCR	Enhancing Investment Property Portfolio	To increase the Council's property portfolio.	10,200,000	9,615,000	-	-	-
CAP402	P	West Cheltenham \ Cyber Hub	Infrastructure to facilitate cyber hub	-	1,000,000	21,000,000	-	-
		Financial Services						
CAP010	GCR	GO ERP	Development of ERP system within the GO Partnership	-	14,700	-	-	-
		ICT						
CAP026	GCR	IT Infrastructure	5 year ICT infrastructure strategy	100,000	133,600	100,000	100,000	100,000
CAP028	HCR	Telephony	Infrastructure plus the handsets/one off licences	-	16,400	-	-	-
		WELLBEING & CULTURE						
		Parks & Gardens						
CAP101	S106	S.106 Play area refurbishment	Developer Contributions	50,000	50,000	50,000	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	80,000	80,000	80,000	80,000
CAP125	GCR	Pittville Park play area	Investment in the play area	12,500	12,500	-	-	-
CAP501	GCR	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	559,600	567,900	-	-	-
		Cultural Services						
CAP126	GCR	Town Hall redevelopment scheme	Preliminary work, subject to Council approving a detailed scheme and a business case	360,000	400,000	-	-	-
		REGULATORY & ENVIRONMENTAL SERVICES						
CAP152	CPR	Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.	46,900	44,500	-	-	-
CAP154	CPR/S106	Civic Pride	St.Mary's churchyard - Public Art Scheme	39,600	56,900	-	-	-
CAP155	P	Pedestrian Wayfinding	GCC Pedestrian Wayfinding	-	48,000	-	-	-
CAP156	S106	Hatherley Art Project	Public Art - Hatherley	-	11,800	-	-	-
CAP204	CPR	Civic Pride	Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration.	110,500	115,500	-	-	-

Code	Fund	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
CAP201	GCR	CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	300,000	300,000	50,000	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	406,000	450,700	-	-	-
CAP205	P	Public Realm Improvements fees	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	-	204,000	-	-	-
CAP206	GCR	Car Park Investment	Car park strategy priority actions: improvements to Regent Arcade payment system and refresh payment machines across the estate.	250,000	287,100	-	-	-
CAP221	BCF	Housing 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.	500,000	500,000	500,000	500,000	500,000
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). Or where relocation is the more cost effective solution.	15,000	15,000	15,000	15,000	15,000
CAP223	PSDH	H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy 2003-06	175,200	374,000	-	-	-
CAP224	LAA	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems	58,400	58,400	-	-	-
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	670,000	669,300	-	-	-
CAP301	PB/GCR	OPERATIONS Vehicles and recycling caddies	Replacement vehicles and recycling equipment	3,063,000	3,259,000	913,000	913,000	404,000
		BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:						
	GCR	Town Hall redevelopment (£1.8m)	Subject to Council approving a detailed scheme and a business case					
	GCR	Public Realm improvements (£1.8m)	Pending the completion of the Cheltenham Transport Plan process					

Code	Fund	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
	C	One Legal Case Management system (£80K)	The new Case Management System, when fully implemented, should deliver staffing efficiencies of between 5% - 10% which would free up resource to take on additional third party work as envisaged by the Business Plan and the anticipated increase in third party income would be estimated to exceed, over the three year period, the procurement cost					
TOTAL CAPITAL PROGRAMME				24,041,900	26,595,006	23,233,000	1,708,000	1,199,000
		Funded by:						
	BCF	Better Care Fund (DFG)		500,000	500,000	500,000	500,000	500,000
	LAA	LAA Performance Reward Grant		58,400	58,400	-	-	-
	P	Partnership Funding		-	1,048,000	21,000,000	-	-
	PSDH	Private Sector Decent Homes Grant		175,200	374,000	-	-	-
	PPMR	Property Planned Maintenance Reserve		474,500	494,500	-	-	-
	S106	Developer Contributions S106		759,600	731,100	50,000	50,000	50,000
	HCR	HRA Capital Receipts		-	67,700	-	-	-
	GCR	GF Capital Receipts		5,403,394	5,568,400	1,270,000	745,000	649,000
	PB	Prudential Borrowing		16,670,806	17,752,906	413,000	413,000	-
	C	GF Capital Reserve		-	-	-	-	-
				24,041,900	26,595,006	23,233,000	1,708,000	1,199,000

This page is intentionally left blank

Page 49

Property Name	Description	2018/19
		£
All Properties (H&S)	Consequential works arising from Fire risk assessment reports	20,000
All Properties (H&S)	Consequential works arising from legionella risk assessments/ inspections	12,000
All Properties (H&S)	Consequential works arising from asbestos risk assessments/ inspections	10,000
All Properties (H&S)	Installation of safety filming to doors and windows	3,000
All Properties (H&S)	Fixed Wiring inspections/ EIC Certification programme	15,000
All Properties (H&S)	Contingency fund for compliance/ H&S remedial work	10,000
All Properties (H&S)	Consequential works arising from Statutory Inspections	15,000
All Properties (H&S)	Repairs to car parks pot hole and other misc repairs	10,000
All Properties (Energy)	Energy reduction schemes LED, controls, insulation ect	10,000
Town Hall	Renew intruder alarm heads	1,500
Town Hall	Roof repairs	20,000
Town Hall	Remedial repairs to CCTV system	2,000
Town Hall	Remedial repairs to cellar basement to prevent leaking	3,500
Pump Room	Redecorations to external elevations at high level	35,000
Pump Room	Remodel RWG outlet to Loggia where water staining and make good decorations	8,000
Pump Room	Remedial repairs to ornate internal plasterwork to ceiling	5,000
Pump Room	Rebuild retaining wall outside of kitchen	3,500
Pump Room	Investigate deflection to first floor east room	1,800
Pump Room	Redecorations to reception area and floor covering renewal	5,000
Pump Room	Replace CCTV camera to rear car park to capture whole area	1,200
Pump Room	Redecorations to external high-level windows inc., minor repairs	25,000
Municipal Offices	Overhaul windows - will require access equipment	25,000
Municipal Offices	FRA upgrade to doors	16,000
Municipal Offices	Renew reception lobby flooring	15,000
Municipal Offices	Renew defective main roof skylights (by lift motor room)	4,000
Municipal Offices	Provision of additional security to the basement area and fire escape stairs	3,000
Art Gallery & Museum	Improvements to fire compartmentation form FRA report	35,000
Arle Nursery	Install safety filming to glazing (legislation)	10,300
Arle Nursery	Ongoing phased replacement of irrigation pipework.	6,000
Arle Nursery	Reinstate automatic watering facility to Tunnels 2, 3 & 4.	3,000
Arle Nursery	Repairs / refurbishment of Polythene covering / timber frame	2,500
Pittville Recreation Centre	Gym / Dance studio AHU (£60k inadequate to complete works)	10,000
Pittville Recreation Centre	Replace damaged fencing to CHP external radiator	4,000
Pittville Recreation Centre	Tree works to Hudson Street (combined with Green Space contribution)	22,000
Pittville Recreation Centre	Cathodic protection to Basement area (ongoing structural repair works)	20,000
Pittville Recreation Centre	Repairs to Wet changing areas floor tiling	12,000
Pittville Recreation Centre	General redecorations	5,000
Pittville Recreation Centre	Repairs to poolside tiling	10,000
Pittville Recreation Centre	Main hall - Seat replacements (ongoing)	9,000
Cemetery & Crematorium	Road resurfacing programme	20,000
Cemetery & Crematorium	Repairs and decoration to grade II Arbour houses	15,000
QE11 Playing Field	Annual leachate removal from catch-pit	1,500
Honeybourne railway bridges	Remedial repairs to bird netting	6,000
Pilley footbridge	Remedial structural repairs and re-painting	110,000
Burrows Pavillion	Replacement of non-slip floor coverings in shower area/s	3,500
Cenotaph War memorial	DOF Stone cleaning	4,200
St Marys Mission	Repainting and remedial repairs to rendering	3,500
Long Gardens	Restoration of stone base to lamp standards	8,000
Total		£ 600,000

This page is intentionally left blank

Cheltenham Borough Council

Cabinet – 12th December 2017

Housing Revenue Account - Revised Forecast 2017/18 and Interim Budget Proposals 2018/19 for Consultation

Accountable member	Cabinet Member for Finance, Rowena Hay
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 2017/18 and the Cabinet’s interim budget proposals for 2018/19 for consultation.
Recommendations	<ol style="list-style-type: none"> 1. Note the revised HRA forecast for 2017/18. 2. Approve the interim HRA budget proposals for 2018/19 (shown at Appendix 2) for consultation including a proposed rent decrease of 1% and changes to other rents and charges as detailed within the report. 3. Approve the proposed HRA capital programme for 2018/19 as shown at Appendix 3. 4. Delegate authority to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation. 5. Seek consultation responses by 31st January 2018.

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>As this report proposes an interim budget for consultation purposes, there are no specific legal implications at this stage.</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)	Contact officer: Julie McCarthy E-mail: julie.mccarthy@cheltenham.gov.uk Tel no: 01242 264355
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The draft budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings.

1. Introduction

The Council's Constitution requires that the Cabinet prepare an interim budget for consultation before it makes recommendations to full Council in February 2018. The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation period, and its report to Council in February 2018 should reflect the Cabinet's response to such comments.

2. Background

- 2.1 The Council has previously approved a four year plan to mitigate the estimated loss of £6.7m in rent income during the four year period from April 2016 to March 2020, following the introduction of the Government's rent reduction policy (reducing rents by 1% per annum each year).
- 2.2 The plan demonstrates a balanced approach requiring CBH management and maintenance savings, a re-alignment of the capital programme and the use of revenue reserves.

3. Update on Housing Policy

3.1 Rent Reduction

Rents will again be reduced by 1% in April 2018 being the third year of the four year policy that commenced in April 2016 and will finish in March 2020. The Government has now confirmed that rent policy will then revert back to the previous guidelines of allowing annual increases of up to CPI + 1% per annum for the following 5 years before a further review.

3.2 Universal Credit (UC)

After significant delays to the introduction of UC, the full rollout began in Cheltenham on 6th December 2017. Previously 144 claims have been processed of which 72 remain live at the time of this report. It is estimated that a further 1,800 tenants will now move to UC within the next 3 years, placing considerable pressure on rent arrears. CBH is conducting a proactive campaign to provide support and information to all tenants affected by these changes. The impact on arrears will be closely monitored and the budget proposals reflect an increasing provision for bad debts.

3.3 Extension of Right to Buy / High Value **Page 53,**

The Government has previously committed to extending Right to Buy to tenants in Housing Associations. The Government's intention was to pay for the extension to Housing Association tenants, in part, by a levy on local authorities funded by the sale of high value vacant properties. Properties sold would be replaced on a one-for one basis.

The November Budget included confirmation of a regional pilot scheme in the West Midlands to run for 12 months from July 2018. There remains significant uncertainty as to when a full rollout of this policy may take place and how the funding mechanisms will work. No provision has yet been made for the potential impact of this policy.

4. HRA Business Plan – Financial Projections

4.1 The 30 year HRA Business Plan has been updated to reflect:-

- The completion and financing of the current new build programme (finishing in 2018/19)
- Anticipated revenue outturn for 2017/18
- A refreshed assessment of the 30 year “need to spend” on existing stock for both capital and revenue expenditure. This includes budget provision for the refurbishment of “Cornish” properties in Pitman Road, Elmfield Avenue and Midwinter Avenue
- The impact of the recent announcement on rent guidelines for the 5 year period from April 2020 i.e. increasing at CPI + 1% p.a. Assuming CPI at the Government target of 2% p.a. this would generate additional resources of £3m over 5 years from 2020 and £10m over 10 years (when compared to CPI only increases for the same period)

4.2 The plan uses the following key assumptions:-

- CPI at 2% p.a. from April 2018
- Stock sales through RTB at 30p.a. to March 2022 then reducing to 20 p.a. thereafter
- Rents reducing by 1% in 18/19 & 19/20, increasing at CPI +1% p.a. for 5 years to March 2025 and by CPI p.a. thereafter.

4.3 The longer term viability of the plan has been strengthened by the Government confirmation of rent policy post 2020 and shows sufficient resources to finance the need to spend on existing stock and to repay existing debt as it falls due for repayment. It also indicates the availability of resources to fund additional new build and regeneration schemes through a combination of borrowing headroom, capital receipts and revenue contributions from reserves. Further capacity may become available following the recent announcement in the Autumn Budget that the Government will allow an increase in the HRA debt cap for some local authorities subject to a bidding process (further detail is awaited).

4.4 There is an ongoing review of all available options to increase new supply within both the Council and CBH.

5. 2017/18 Revised Forecast

5.1 The forecast at Appendix 2 shows an increase in the operating surplus of £1,528,400 compared to the original budget. Significant variations within the 2017/18 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 and impact of service efficiencies	175
Bad Debt Provision – lower arrears than anticipated reflect delay in implementation of welfare reform and allocation of additional resources to mitigate impact	35
Depreciation (Dwellings) – change to basis of calculation (see 5.3 below)	1,349
Depreciation (Other Assets) – changes to asset classification and assumed lifecycle	-112
Other net variations	81
Increase in Operating Surplus (compared to budget)	1,528

- 5.2 The reduction in the use of revenue contributions to fund capital expenditure by £699,600 reflects the approved funding strategy for capital expenditure and, together with the increase in the operating surplus, will result in a balance of revenue reserves of £7,885,900 at 31st March 2018.
- 5.3. For a period of five years following the introduction of self-financing in April 2012, local authorities were allowed to base the depreciation charge for dwellings on the major repair allowance per property assumed in the settlement. The Government has confirmed that for 2017/18 onwards depreciation should be calculated with reference to the estimated life and replacement cost of the major components of the dwellings. This is a complex technical area and there are a range of methods that can be adopted to arrive at the annual charge. Considerable research has been undertaken to establish the most appropriate method for Cheltenham.

The recalculated charge shows a reduction of £1,349,000 and a corresponding increase in the operating surplus for the year. However this will also reduce, by an equal amount, the funds available in the major repairs reserve to fund capital expenditure thus requiring an increase in revenue contributions from reserves. As a result there is no overall impact on the level of retained reserves or the ability to fund proposed capital expenditure. This is a change required to ensure compliance with current accounting standards.

6. 2018/19 Budget Proposal

- 6.1 All rents will decrease by a further 1% in April 2018. The rent estimates also assume a 0.8% void rate and 30 RTB sales in the year.
- 6.2 Estimates of service charge income currently assume:-
- Increase of 1.5% for cleaning services supplied by CBH (see further detail at paragraph 7.4 below)
 - Overall charges for power to communal areas are expected to be held at 2017/18 levels (under a 3 year fixed tariff contract until March 2020)
- 6.3 A new agreement for the HRA grounds maintenance work undertaken by Ubico is currently being finalised and service charges for next year are still under review.

- 6.4 Significant changes to the HRA (>£30,000) as compared to the revised forecast for 2017/18 are itemised in the table below. There is a forecast reduction of £483,400 in the operating surplus for the year when compared with 2017/18.

Budget Heading	Change in resources
	£'000
Increase in bad debt provision – impact of welfare reform	-96
Depreciation – inflation offset by stock loss	-92
Decrease in rents - rent reduction & stock loss	-271
Other (net)	-24
Decrease in Operating Surplus (compared to 2017/18)	-483

- 6.5 Revenue contributions totalling £4,282,500 will be required to fund capital expenditure in the year, reducing revenue reserves to £5,055,600 at 31st March 2019.
- 6.6 The Discretionary Housing Payments (DHP) Scheme enables local authorities to provide benefit claimants with financial assistance towards housing costs through the General Fund. An annual allocation of funding from Government finances this scheme. In previous years the total of such payments has not exceeded the allocation.

However, in 2017/18 anticipated payments are at a level which could match or even exceed Government funding. Where this occurs the Department for Communities and Local Government (DCLG) have confirmed that authorities may be permitted to fund DHP payments made to its own tenants from the HRA. This requires a written application to DCLG for a specific accounting direction. It is recommended that the level of payments continues to be monitored and the S151 Officer be delegated authority to apply for such a direction if it appears probable that the annual allocation will be exceeded in any financial year. The draft HRA budget does not yet include any provision for such expenditure.

7. Cheltenham Borough Homes (CBH)

- 7.1 The draft 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 2018/19, which show a breakeven position on services provided to the Council.
- 7.2 The proposed management fee for 2018/19 (£5,107,000) shows no change to that included in budget forecasts presented to Council in February 2017 and is in line with the four year plan. It currently assumes a pay award of 1% in April 2018. CBH have indicated that should the award be settled at a higher figure the company would request a corresponding increase in the fee.
- 7.3 It is anticipated that a combination of service efficiencies and sustained lower demand will give an overall saving of £442,000 in repair and maintenance projections for 2018/19 and 2019/20 when compared to previous estimates in the HRA business plan.
- 7.4 The cost of delivering the estate cleaning contract has risen by 4% (£13,000) which reflects the anticipated cost of the pay award and service enhancements which include the testing of emergency communal lighting and the cleaning of communal windows and food bins. The increase in service charges will be restricted to 1.5% following a review of eligible cost apportionments.

8. CBH Plans & Progress

8.1 CBH has made substantial progress in plans to modernise and transform the housing management and maintenance services delivered to tenants. The key work streams that are driving these improvements are:-

- **Service Improvement programme** – a comprehensive review of all IT systems and associated manual processes to drive efficiency in all areas of the business. A systems supplier has been selected and implementation will commence in April 2018, with an anticipated “go live” date in summer 2019.
- **Asset management** – CBH will be using improved data collection to assess the financial and operational impact of each unit of stock. This will inform future option appraisals when a property becomes void and guide strategic debate on the best use of HRA assets. This will be delivered as part of the above mentioned service improvement programme.
- **Reactive repairs** – Improvements in working practices and procurement and investment in mobile technology have already generated cost savings. Further efficiencies are anticipated from two insourcing opportunities (internal decent homes and the testing of emergency communal lighting) thus maximising use of in-house skills and reducing costs.
- **Non-traditional stock** – following a detailed option appraisal a refurbishment solution has been chosen to address non-decency within the Cornish type properties (to be delivered from April 2019). Further work will be undertaken to inform an investment decision for prefab style properties.
- **Cheltenham West regeneration (Masterplan)** – this project is being funded by Government grant and a final report will be produced in 2018/19.
- **New supply** - CBH is reviewing all potential delivery mechanisms to offset the ongoing impact of Right to Buy (RTB) and help meet local housing need.
- **Welfare reform/Universal Credit (UC)** – the company continues to monitor changes and, as referred to in paragraph 3.2 above, is conducting a proactive campaign to provide support and information to all tenants affected by the further rollout of UC from December 2017.
- **Accommodation strategy** – CBH will continue to implement an approved strategy that seeks to reduce overall costs whilst also supporting more effective working practices. The aspiration is to rationalise accommodation by March 2020.
- **People strategy** – a new strategy has been launched with values revitalised following a staff ballot. Further work will be undertaken on reward and wellbeing, ensuring that the company continues to recognise and value staff contributions to the achievement of CBH aims.

9. Capital Programme

9.1 The revised capital programme for 2017/18 reflects the completion of schemes carried forward from the previous year as reported to Cabinet and further variations identified during the year.

9.2 The detailed capital programme for 2018/19 and indicative programmes for the following two years are shown at Appendix 4. These reflect the investment requirements identified via stock condition surveys and a recent review of the 30 year capital programme. The sum set aside for particular component replacements each year will vary in line with anticipated lifecycles.

9.3 The programme includes:-

- Ongoing funding to complete the replacement of windows and doors through the majority of the stock.
- A significant investment in enhanced fire safety measures through the installation of emergency lighting in general needs blocks.
- A provision of £2m to fund the refurbishment of Cornish properties in Pitman Road, Elmfield Avenue and Midwinter Avenue, commencing in April 2019. This scheme has received the endorsement of the Council's Asset Management Working Group.

9.4 CBH is conducting a project to better understand current energy performance and the potential for improvement throughout the stock. This will inform decisions on future investment. The current programme includes a range of energy efficiency improvements:-

- Window renewal programme- currently in year two of a six year programme to replace the majority of windows across the stock, new windows exceed Building Regulations requirements for energy efficiency (over 1,000 dwellings will benefit from these works in the current year).
- External and fire door renewal – new doors are more thermally efficient and have improved draught seals (2,000 doors due to be replaced in 2017/18).
- Boiler renewals – replacements are ErP A rated giving higher energy efficiency (400 are being replaced in 2017/18).
- Roof programme – when renewing roof coverings loft insulation is being upgraded to Building Regulations part L standards for energy efficiency.
- Continuation of loft insulation upgrades and cavity wall insulation.

9.5 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 Right To Buy has increased the availability of capital receipts. A proportion of those receipts are only retained by the Council if they are used to fund new affordable housing within 3 years.

9.6 Appendix 4 also gives estimates of new build expenditure for the period to 31st March 2021. Currently these figures only reflect the completion of existing schemes and a provision for appraisal costs in each year together with an indicative budget of £2m in 2018/19 to fund further acquisitions should eligible expenditure on new build be insufficient to retain RTB receipts.

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

10. Reserves

10.1 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 £4,274,200 at 31st March 2021.

11. Conclusion

11.1 The four year plan for the period to March 2020 that was approved by Council in February 2016 continues to be delivered successfully and has ensured 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 also generated additional resources particularly through service efficiencies on repairs and maintenance.

11.2 The confirmation of rent policy post 2020 has further strengthened HRA financial viability but it should be recognised that investment funding will still be limited in the medium term by the debt cap and restrictions on the use of capital receipts. However resources are available to fund further new build and regeneration subject to scheme identification and appraisal.

12. Consultation process

12.1 The Council is proposing to consult on these budget proposals during the period to 31st January 2018. The extended period will allow CBH to respond at their January Board meeting. The results from this consultation will be fed back to the Cabinet and taken into account in the formulation of the final budget proposals.

12.2 As part of the interim consultation process the Cabinet's proposals will be included on the Council's web site, made available at the Municipal Offices, Area Offices and publicised through the local press. All interested parties will be encouraged to respond. Consultation meetings will held with both tenant and leaseholder representatives.

12.3 In preparing the consultation document it may be helpful to provide supplementary information, for instance relating to the main changes in the budget. It is therefore recommended that the Section 151 Officer and Cabinet Member for Finance be given delegated authority to approve any supplementary information for consultation.

Report author	Steve Slater, Executive Director (Finance and Resources), Cheltenham Borough Homes Tel. 01242 387539; <i>e-mail address steve.slater@cbh.org</i>
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)
Background information	<ol style="list-style-type: none"> 1. HRA 30 year Business Plan 2. CBH Budgets and Plans 2018/19

This page is intentionally left blank

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 the Government introduces a high value asset sale levy on local authorities to fund the extension of Right to Buy to Housing Association tenants, there will be a significant impact upon both stock availability and financial viability.	Tim Atkins	December 2015	4	4	16	R	The November 2017 Budget confirmed that a West Midlands regional pilot will run for 12 months from July 2018, following which further decisions will be made on the implementation of this policy.	Mar 2019	CBH through management agreement	
1.02	If CBH are unable to deliver savings to offset lower income as a consequence of 4 year rent reductions	Tim Atkins	December 2015	5	2	10	R	First 2 years of planned savings have been successfully delivered and current forecasts anticipate overall savings will exceed target. As a consequence the likelihood has been reduced. Performance will continue to be closely monitored by CBH with periodic reports being submitted to Council officers.	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 and impact on vulnerable families	Tim Atkins	December 2012	3	4	12	R	The HRA budget includes specific resources to control rent arrears and support tenants through Welfare Reform/Universal Credit.	Mar 2019	CBH through management agreement	
1.04	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Tim Atkins	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 void	Mar 2019	CBH through management agreement	

								levels monitored.			
1.05	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Tim Atkins	December 2012	4	3	12	R	Maintain robust stock condition data. Major peril to the stock is fire which is covered by appropriate insurance.	Mar 2019	CBH through management agreement	
1.06	If there is insufficient capacity to deliver the ambitious programme of building works then the programme may not be deliverable	Tim Atkins	December 2012	2	3	6	R	The HRA budget includes specific resources to address capital programme works.	Mar 2019	CBH through management agreement	
1.07	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	Tim Atkins	December 2013	3	2	6	R	The current phase of the new build programme is continuing with officers monitoring spend against that required to retain receipts. CBH is reviewing all delivery opportunities to identify a pipeline of new schemes. An alternative strategy of acquiring property has so far prevented repayment of receipts. This will be kept under review and compared with other emerging opportunities.	Mar 2019	CBC/CBH via the Operational Working Group	

	2017/18		2018/19	2019/20	2020/21
	Original £	Forecast £	Estimate £	Projections £	
EXPENDITURE					
General & Special Management	2,168,000	2,156,600	2,183,700	2,220,700	2,031,200
ALMO Management Fee	5,083,000	5,083,000	5,107,000	5,183,600	5,287,300
Rents, Rates, Taxes and Other Charges	59,000	49,000	49,000	49,000	49,000
Repairs & Maintenance	3,958,800	3,783,700	3,764,700	3,812,500	3,869,300
Provision for Bad Debts	235,000	200,000	296,000	330,000	370,000
Interest Payable	1,684,700	1,684,700	1,684,700	1,684,700	1,684,700
Depreciation of Dwellings	5,511,400	4,162,400	4,254,100	4,331,200	4,397,900
Depreciation of Other Assets	183,500	295,300	296,200	297,600	299,000
Debt Management Expenses	80,000	80,000	81,200	82,400	84,000
TOTAL	18,963,400	17,494,700	17,716,600	17,991,700	18,072,400
INCOME					
Dwelling Rents	18,775,400	18,800,900	18,530,300	18,281,300	18,702,300
Non Dwelling Rents	423,600	450,500	458,500	463,400	467,300
Charges for Services and Facilities	857,000	845,100	855,700	867,500	888,400
Supporting People Grant	62,500	62,400	28,800	-	-
Feed in Tariff from PV Installations	213,400	228,000	236,600	244,800	252,200
TOTAL	20,331,900	20,386,900	20,109,900	19,857,000	20,310,200
NET INCOME FROM SERVICES	1,368,500	2,892,200	2,393,300	1,865,300	2,237,800
Interest Receivable	38,700	43,400	58,900	78,800	70,300
NET OPERATING SURPLUS	1,407,200	2,935,600	2,452,200	1,944,100	2,308,100
Appropriations					
Revenue Contributions to Capital	- 2,616,900	- 1,917,300	- 4,282,500	- 2,476,000	- 3,557,600
Net Increase/(Decrease) in reserves	- 1,209,700	1,018,300	- 430,300	- 531,900	- 1,249,500
Revenue Reserve brought forward	6,176,100	6,867,600	7,885,900	6,055,600	5,523,700
Revenue Reserve carried forward	4,966,400	7,885,900	6,055,600	5,526,700	4,274,200

Average Social Rent:-					
Decrease/Increase 1st April			-1.0%	-1.0%	3.0%
48 wk		87.49	86.62	85.75	88.32
52 wk		80.76	79.95	79.15	81.53
Average stock		4,442	4,418	4,388	4,358

Average Affordable Rent:-					
Decrease/Increase 1st April			-1.0%	-1.0%	3.0%
48 wk		133.62	141.57	152.82	140.30
52 wk		123.34	130.68	141.07	129.51
(nb average rents also reflect changes to stock mix following new build completions)					
Average stock		31	36	41	46

MAJOR REPAIRS RESERVE
Page 64

	2017/18		2018/19	2019/20	2020/21
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
Balance brought forward	-	-	-	-	-
Depreciation of Dwellings	5,511,400	4,162,400	4,254,100	4,331,200	4,397,900
Depreciation of Other Assets	183,500	295,300	296,200	297,600	299,000
	<u>5,694,900</u>	<u>4,457,700</u>	<u>4,550,300</u>	<u>4,628,800</u>	<u>4,696,900</u>
Utilised to fund Capital Programme	-5,694,900	-4,457,700	-4,550,300	-4,628,800	-4,696,900
Balance carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HRA CAPITAL PROGRAMME

	2017/18		2018/19	2019/20	2020/21
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
<u>EXPENDITURE</u>					
EXISTING STOCK					
Property Improvements & Major Repairs	7,758,400	7,632,900	7,059,800	7,442,800	8,634,500
Adaptations for the Disabled	400,000	300,000	350,000	350,000	350,000
Environmental Works (Tenant Selection)	10,000	10,000	10,000	10,000	10,000
Repurchase of Shared Ownership Dwellings	50,000	69,000	50,000	50,000	50,000
	<u>8,218,400</u>	<u>8,011,900</u>	<u>7,469,800</u>	<u>7,852,800</u>	<u>9,044,500</u>
NEW BUILD & ACQUISITIONS	2,459,400	1,719,100	3,500,000	310,000	250,000
TOTAL	<u>10,677,800</u>	<u>9,731,000</u>	<u>10,969,800</u>	<u>8,162,750</u>	<u>9,294,500</u>
<u>FINANCING</u>					
Capital Receipts	2,166,000	2,906,000	1,837,000	758,000	740,000
HRA Revenue Contribution	2,616,900	1,917,300	4,282,500	2,476,000	3,557,600
Leaseholder Recharges	200,000	450,000	300,000	300,000	300,000
Major Repairs Reserve	5,694,900	4,457,700	4,550,300	4,628,800	4,696,900
TOTAL	<u>10,677,800</u>	<u>9,731,000</u>	<u>10,969,800</u>	<u>8,162,800</u>	<u>9,294,500</u>

Page 65
PROPERTY IMPROVEMENTS & MAJOR WORKS

Description of works	2017/18	2018/19	2019/20	2020/21
EXTERNAL IMPROVEMENTS	673,600	393,000	829,000	1,991,000
INTERNAL IMPROVEMENTS	361,000	370,900	376,600	660,600
PATHS, FENCES & WALLS	233,300	238,800	238,800	238,800
WORKS TO BUILDING FABRIC	12,000	-	-	-
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	24,300	75,000	75,000	75,000
RENEWAL OF HEATING SYSTEMS	758,000	934,000	881,100	1,052,900
MAJOR REFURBISHMENTS TO VOID PROPERTIES	451,400	520,000	460,000	460,000
WINDOWS & DOORS	3,240,900	2,425,000	2,112,600	1,498,100
ASBESTOS	270,500	190,000	190,000	190,000
SHELTERED ACCOMMODATION	30,000	30,000	30,000	30,000
NEIGHBOURHOOD WORKS	199,400	-	-	-
DOOR ENTRY SCHEMES	163,000	34,500	30,500	222,200
STRUCTURAL WORKS	15,000	30,000	30,000	30,000
COMMUNAL WORKS (INCL EMERGENCY LIGHTING)	246,500	991,100	240,300	105,500
FIRE PROTECTION (REMEDIALS)	128,300	79,000	95,000	78,000
LIFTS	75,000	20,000	20,000	20,000
NON TRADITIONAL HOMES	-	-	1,000,000	1,000,000
GARAGE IMPROVEMENTS	25,000	25,000	25,000	25,000
FEE FOR MANAGING PROGRAMME	636,000	643,000	659,000	659,000
CONTINGENCY	89,700	60,500	149,900	298,400
TOTAL BUDGET FOR EXISTING PROPERTIES	7,632,900	7,059,800	7,442,800	8,634,500

NEW BUILD & ACQUISITIONS

	2017/18	2018/19	2019/20	2020/21
COUNCIL APPROVED				
GARAGE SITES 2B	163,200	-	-	-
GARAGE SITES 2C	1,039,100	1,250,000	60,000	-
SWINDON ROAD	21,600	-	-	-
MARKET PURCHASE	227,000	2,000,000	-	-
SCHEMES SUBJECT TO TENDER & COUNCIL APPROVAL				
APPRAISAL COSTS FOR PIPELINE SCHEMES (* includes £50,000 relating to the regeneration of non traditional units)	268,200	250,000*	250,000	250,000
TOTAL ESTIMATE FOR NEW BUILD & ACQUISITIONS	1,719,100	3,500,000	310,000	250,000

This page is intentionally left blank