



Notice of a meeting of Cabinet

**Tuesday, 13 February 2018
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

9.		BUDGET MONITORING REPORT 2017/18 - POSITION AS AT DECEMBER 2017 Report of the Cabinet Member Finance	(Pages 3 - 20)
10.		FINAL GENERAL FUND REVENUE AND CAPITAL BUDGET PROPOSALS 2018/19 (INCLUDING SECTION 25) Report of the Cabinet Member Finance	(Pages 21 - 80)
11.		FINAL HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS 2018/19 Report of the Cabinet Member Finance	(Pages 81 - 106)

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Cheltenham Borough Council

Cabinet – 13 February 2018

Budget Monitoring Report 2017/18 – position as at December 2017

Accountable member	Councillor Rowena Hay, Cabinet Member for Finance
Accountable officer	Paul Jones, Section 151 Officer
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's current financial position for 2017/18 based on the monitoring exercise at the end of December 2017. The report covers the Council's revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2017/18 original budget and areas with volatile income trends.
Recommendations	<ol style="list-style-type: none"> 1. Cabinet note the contents of this report including the key projected variances to the 2017/18 budget and the expected delivery of services within budget. 2. Cabinet recommend that Council approve the budget virements to the 2017/18 budget, as part of the revised budget 2017/18, as detailed in Appendix 6.

Financial implications	<p>As detailed throughout this report.</p> <p>Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk , 01242 264125</p>
Legal implications	<p>None specific directly arising from the recommendations.</p> <p>Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695</p>
HR implications (including learning and organisational development)	<p>The Council continues to monitor vacancies and recruitment. All recruitment activity decisions are based on a business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied. In addition, the Council also continues to monitor its capacity to deliver on key projects.</p> <p>Contact officer: Julie McCarthy (Publica Group Ltd) julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	As outlined in Appendix 1.

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

1. Background

- 1.1** This report provides the third monitoring position statement for the financial year 2017/18. The purpose of this report is to notify members of any known significant variations to budgets for 2017/18 and highlight any key issues, allowing Members to take action if required.
- 1.2** GO Shared Services carry out a regular budget monitoring exercise for services in liaison with Directors and cost centre managers. This identifies any major variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the original budget for 2017/18 agreed by Council on 10th February 2017, subject to any amendments made under delegated powers (for example supplementary estimates, virement, etc). Possible significant variations to revenue budgets are outlined in this report.

2. Net revenue position

- 2.1** The table below summarises the net impact of the variances identified at this stage in the financial year, projecting the position to the end of the financial year for all budget variances in excess of £50,000 and areas with volatile income trends, details of which are provided in paragraphs 2.2 to 3.1 below.

Significant budget variances	Overspend / (Underspend)£	para. ref:
Chief Executives		
Recycling – additional expenditure	63,000	2.3
Recycling – shortfall in income	50,000	2.4
Green Waste – additional income	(30,000)	2.4
Leisure & Culture – deferral of savings in management fee	150,500	2.7
Environment & Regulatory Services		
Car Parking – Surplus income	(100,000)	2.8
Other		
Savings from employee costs	(50,000)	2.2
Business Rates payable – saving in expenditure	(109,350)	2.9
Various – net additional costs	44,150	Appendix 6
Treasury Management	(18,300)	3.1
Net forecast position	-	

Saving from Employee costs

- 2.2 The 2017/18 base budget includes a target of £375.5k from employee related savings to be made throughout the Council during the year. This target has been embedded within individual service budgets, allocated in proportion to existing service salary budgets. This improves accountability and budget monitoring within council services. An assessment of vacant posts (i.e. staff turnover) in the first ten months of the year indicates that this target is likely to be exceeded by £50k for the financial year. This will continue to be monitored in the remaining period of the financial year.

Waste and Recycling Income

- 2.3 Additional recycling expenditure in respect of recycling waste wood is expected to cost £63k in 2017/18. The budget for this element of the service has been built in to the 2018/19 budget.
- 2.4 Income from cardboard recycling has been adversely affected by a sharp fall in the value of this commodity from £97 to £67 per tonne leading to a projected loss of income of £50k. This shortfall is partially offset by an expected surplus in green waste income for the year of £30k as a result of increased volume of activity.
- 2.5 Income from waste and recycling continues to be monitored on a regular basis in conjunction with the Joint Waste Committee.

Ubico – Additional costs

- 2.6 As reported in the last budget monitoring report, the use of older refuse vehicles in the first half of the year incurred high operating and maintenance costs and gave rise to an additional contract charge from Ubico of approximately £120k for the period to 30th September 2017. These additional costs will be mitigated by a finance lease payment due back to the council from Ubico for the same period. It should be noted that new vehicles came into operation from October 2017 so these additional costs will not continue in the second half of the year.

Leisure & Culture

- 2.7 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 £150.5k in 2017/18.

Off-street Car Parking Income

- 2.8 There is a likely net surplus of £100k in car parking income for the year, based on the position at 31st December and expected trends for the remaining period of the year. This equates to an average monthly increase of 5% above target.

Business Rates payable

- 2.9 There is an expected saving in net business rates payable by the council on council-owned properties of £109k for the year, including one off rebates of circa £70k for changes in rateable values backdated from prior years.

3. Treasury Management

- 3.1** Investment income is likely to show a surplus of £34,900 against the 2017/18 budget of £407,700. The council has taken out investments of £3m with the CCLA Property Fund (known as the Local Authorities Property Fund), with the aim to achieve a return circa 4%, net of fees. The first and second dividends paid out has indicated this is on target. Due to the higher return of investments the HRA will benefit by a £16,600, with a predicted General Fund treasury surplus of £18,300 for this financial year.

4. Capital

- 4.1** A detailed exercise has been carried out to ensure that capital schemes, approved by Council on 10th February 2017, are being delivered as planned within allocated capital budgets. The monitoring position at 31st December is included as Appendix 2 to this report.

5. Programme maintenance expenditure

- 5.1** A detailed exercise has been carried out to ensure that programme maintenance work, approved by Council on 10th February 2017, is being delivered as planned within the allocated budgets. The monitoring position at 31st December is included as Appendix 3 to this report. Any slippages in schemes or underspend against budget will be transferred to the Programme Maintenance reserve at the year end, to fund future programme maintenance expenditure.

6. Housing Revenue Account (HRA)

Significant variations to HRA revenue and capital budgets identified to 31st December 2017 are detailed below.

HRA Revenue:

- 6.1** Expenditure on repairs and maintenance for the year is currently forecast at £3,684,000, a reduction of £274,800 in comparison to the original budget. This reduction is due to a number of factors including lower demand following mild weather and ongoing improvements in working practices and procurement.
- 6.2** The provision for bad debts has been reduced by £35,000 to £200,000 which reflects robust control of rent arrears despite the continuing rollout of Universal Credit.
- 6.3** The HRA depreciation charges have been recalculated in accordance with approved accounting practice. Although this reduces the forecast charge by £1,030,700 there is no overall impact on the HRA resources (further detail is provided in the HRA 2018/19 budget report on this agenda).

HRA Capital (Existing Stock):

- 6.4** The current forecast for capital expenditure on existing stock is £8,311,100, a reduction of £65,000 in comparison to the budget of £8,376,100 (as adjusted following 2016/17 outturn).
- 6.5** Within that figure there have been the following significant project variations:-
- External Works - reduction of £156,000 from budget of £875,000. Contract savings made on completed works on the Moors Estate.
 - Paths, Fences & Walls – reduction of £119,000 on budget of £270,000. Fewer priority schemes identified.
 - Disabled Facilities Grants - reduction of £100,000 from original budget of £400,000. Lower expenditure is forecast as a result of lower demand and external delays to the approval of

applications.

- These savings have been utilised to fund the acceleration of other projects which in turn will shorten delivery times and potentially generate further savings:-
- Windows & Doors – additional spend of £278,000 over original budget of £3,200,000.
- New heating installations – additional spend of £93,000 over budget of £758,000.

HRA Capital (New build/ Acquisition):

- 6.6** Expenditure on new HRA build and acquisitions for the year is now forecast at £1,769,600, a reduction of £689,800 against the budget of £2,459,400. This reflects the postponement of the Cakebridge Place project and delays to the redevelopment of two garage sites whilst rights of access issues are resolved.

7. Council tax and Business rates collection

- 7.1** The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 4. This shows the position at the end of December 2017 and the projected outturn for 2017/18.

8. Sundry debt collection

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

9. Conclusion

- 9.1** The net effect of the variances reported above is that the general fund outturn is expected to be delivered within budget, based on the position at the end of December 2017.
- 9.2** The continued impact of the changes in government funding arrangements and the economic climate present particular concerns for the Council's budgets. It is clearly important to ensure that budgets continue to be closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the Council delivers services within budget.
- 9.3** It will be for Cabinet and Council to decide in July 2018, when outturn is finalised, how to apply any potential savings. However it is recommended that any underspend identified on outturn be transferred firstly to the Budget Deficit (Support) Reserve and secondly to support general balances, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding future budget funding gaps, as outlined in the Council's Medium Term Financial Strategy report dated 17th December 2017 .

10. Consultation

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

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Capital Budget Monitoring to 31st December 2017 3. Programme Maintenance Budget Monitoring to 31st December 2017 4. Council Tax and NNDR collection to 31st December 2017 5. Aged Debt Report as at 31st December 2017 6. Budget Virements for approval – 2017/18 budget
Background information	<ol style="list-style-type: none"> 1. Section 25 Report – Council 10th February 2017 2. Final Budget Proposals for 2017/18– Council 10th February 2017 3. Medium Term Financial Strategy – 17th December 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
1.	If we are unable to take corrective action in respect of reduced income streams then there is a risk that Council will not be able to deliver its budget	Cabinet	June 2010	3	3	9	Reduce	In preparing the budget for 2017/18, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	February 2017	SLT	Corporate Risk Register
2.	If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the Council's Medium Term Financial Strategy.	Cabinet	October 2015	4	3	12	Reduce	In preparing the budget for 2018/19 and in ongoing budget monitoring, consideration will be given to the use of fortuitous windfalls and potential future under spends with a view of strengthening reserves whenever possible.	February 2018	Chief Finance Officer	Corporate Risk Register

Guidance

Types of risks could include the following:

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

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

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

Risk ref

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

Risk Description

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

Risk owner

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

Risk score

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

Control

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

Action

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

Responsible officer

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

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

Transferred to risk register

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

GENERAL FUND CAPITAL PROGRAMME 2017/18 - Monitoring Dec 2017

Code	Fund	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Expenditure to 31/12/17 £	Forecast Spend £	Narrative
CAP601/2/3	PB/C/PPMR	RESOURCES Property Services Crematorium Scheme: First Chapel		7,008,100	8,203,236	725,494	8,132,300	Cemetery scheme - to straddle 2017/18 and 2018/19 financial years - budget committed
CAP505	PB/GCR	Town Centre acquisitions	Acquisition of Shopfitters	-	47,406	47,406	47,406	Works at St Georges place
CAP506	GCR	Enterprise Way Phase 2	Industrial units to complete development	-	60,000	-	60,000	Building work out for tender
CAP700	PB/GCR	Enhancing Investment Property Portfolio	To increase the Council's property portfolio.	10,200,000	9,615,000	-	9,615,000	Various sites have been considered but a suitable investment property yet to be secured.
CAP605		Loan to St Margaret's Hall Trust	Loan to St Margaret's Hall Trust	-	50,000	50,000	50,000	Building completed
CAP402	P	West Cheltenham \ Cyber Hub	Infrastructure to facilitate cyber hub	-	1,000,000	-	1,000,000	Expenditure to straddle 2017/18 and 2018/19 financial years
CAP010	GCR	Financial Services GO ERP	Development of ERP system within the GO Partnership	-	14,700	-	14,700	Upgrade works still pending
CAP026	GCR	ICT IT Infrastructure	5 year ICT infrastructure strategy	100,000	133,600	-	133,600	Provision for continued investment in IT
CAP028	HCR	Telephony	Infrastructure plus the handsets/one off licences	-	16,400	-	16,400	Handsets to be installed in 2018
CAP126	GCR	CHIEF EXECUTIVES Leisure & Culture Town Hall redevelopment scheme	Preliminary work, subject to Council approving a detailed scheme and a business case	360,000	400,000	30,426	400,000	Scoping study completed in July 2017
CAP127	PPMR/P/GCR/PB	Sports and Play Hub Phase 1	Capital improvements to the leisure centre changing rooms. Extension of gym facilities and creation of new splashpad area. Scheme in partnership with The Cheltenham Trust	-	2,508,228	-	2,508,228	Works to start 26 Feb for completion Aug 18
CAP301	PB/GCR	Waste & Recycling Vehicles and recycling caddies	Replacement vehicles and recycling equipment	3,063,000	3,259,000	3,245,292	3,259,000	Delivery of vehicles commenced in July
CAP303	C	Recycling receptacles	Heavy duty blue recycling bags, sacks and boxes	-	200,000	195,499	200,000	
CAP304	C	Other Other vehicles	Replacement vehicles for car park income collectors	-	11,050	-	11,050	Vehicle identified for imminent purchase
CAP152	CPR	ENVIRONMENTAL & REGULATORY SERVICES Place Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.	46,900	44,500	9,668	44,500	Additional works Promenade.
CAP154	CPR/S106	Civic Pride	St.Mary's churchyard - Public Art Scheme	39,600	56,900	-	56,900	Progress on public art schemes subject to development of public art strategy.
CAP155	P	Pedestrian Wayfinding	GCC Pedestrian Wayfinding	-	48,000	-	48,000	Design complete. Vacancies in the Townscape Team has delayed completion.
CAP156	S106	Hatherley Art Project	Public Art - Hatherley	-	11,800	-	11,800	Awaiting decision on planing application.

Code	Fund	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Expenditure to 31/12/17 £	Forecast Spend £	Narrative
CAP204	CPR	Public Realm	Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration.	110,500	115,500	-	115,500	Linked to car park strategy and depending on developer schemes in town centre.
CAP201	GCR	CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	300,000	300,000	1,302	300,000	Rationalisation and extension of CCTV network in Town Centre.
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	-	-	-	Budget consolidated into CAP 206
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	23,671	450,700	Phase 2 works design agreed by project board. Tender process initiated.
CAP205	GCR	Public Realm Improvements fees	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	-	204,000	-	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	-	287,100	Works identified in car park investment strategy being implemented in priority order.
Housing								
CAP221	BCF	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	237,115	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	
CAP223	PSDH	H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy 2003-06	175,200	374,000	147,035	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	10,000	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	453,780	669,300	
Parks & Gardens								
CAP101	S106	S.106 Play area refurbishment	Developer Contributions	50,000	50,000	50,000	50,000	Burrows BMX track part funded by GCC Active Together and CAP102..
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	44,394	80,000	See CAP101 above
CAP125	GCR	Pittville Park play area	Investment in the play area	12,500	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	3,996	8,000	Minor spend in 2017/18 on raised beds to improve accessibility. Balance retained for investment in additional allotment space.
TOTAL CAPITAL PROGRAMME				24,041,900	29,364,220	5,275,078	28,733,384	

PLANNED MAINTENANCE PROGRAMME 2017/18 - to 31st December 2017

Code		Scheme	Description	Agreed Budget 2017/18 £	C/fwd from 2016/17 £	Virement during 2017/18 £	Revised Budget 2017/18 £	Actual 6 months 2017/18 £	Under/(Over) spend on Projects £	Transfer to / (from) Prog. Mtce Reserve £	Comments
REVENUE											
ADB101	PRM551	Municipal Offices	Overhaul windows - will require access equipment	25,000			25,000		25,000		Work to start 2018/19. Budget to be carried forward at year end
ADB101	PRM564	Municipal Offices	Fire alarm system renewal		32,000		32,000	41,714	(9,714)	(9,714)	Work completed - overspend offset against underspend in year transferred to Property Maintenance reserve
ADB101	PRM547	Municipal Offices	Fire Risk Assessment upgrade to doors	16,000			16,000		16,000		Work to be completed 2017/18
ADB101	PRM548	Municipal Offices	Renew reception lobby flooring	15,000			15,000		15,000	15,000	Work no longer scheduled. Budget transfer back into Programme Maintenance reserve
ADB101	PRM501/549/550	Municipal Offices	Renew defective skylights and additional security to basement, maintain door access control	7,000	2,000		9,000		9,000		Work to be completed 2017/18
ADB103	PRM427	Central Depot	CAD building survey		12,000	(12,000)	0		0		Budget transferred to Town Hall
ADB103	PRM472/474/475	Central Depot	H&S remedial and compliance work			5,700	5,700	1,897	3,803		H&S budgets miscellaneous properties Work ongoing 2017/18
CCM111	PRM552	Cemetery & Crematorium	Road resurfacing programme	30,000			30,000		30,000		Tender and work to be completed 2018/19. Budget to be carried forward at year end
CCM111	PRM553	Cemetery & Crematorium	Repairs and decoration to grade II Arbour houses	8,000			8,000		8,000		Tender and work to be completed 2018/19. Budget to be carried forward at year end
CCM111	PRM292/507	Cemetery & Crematorium	Modifications to reception area and crematorium plant software upgrade		16,500		16,500	7,236	9,264		Work ongoing 2017/18
CCM111	PRM568	Cemetery & Crematorium	CCTV installation/upgrade			2,200	2,200	2,183	17		Emergency job regarding break ins at Cemetery. Work con Balance of £9300 transferred to Town Hall
CPK101	PRM562/216	Car Parks - Off Street	Cheltenham Walk boundary repairs	10,000	5,000	2,600	17,600	17,616	(16)		Work completed
CPK101	PRM566	Car Parks - Off Street	Repairs to car parks pot hole and other misc repairs	10,000		(2,600)	7,400		7,400		Work to be completed 2017/18
CPK101	PRM565	Car Parks - Off Street	Edinburgh Place car park lamp post cabling		6,000	(6,000)	0		0		Work no longer scheduled. Budget transfer to AG&M Energy reduction scheme PRM496
CPK101	PRM456	Car Parks - Off Street	Remainder of Town Centre East refurbishment				0	2,276	(2,276)		Retention invoice for 16/17 project expected
CUL002	PRM559	War memorial	DOF Stone cleaning	4,200		(1,800)	2,400	2,331	69		Work completed
CUL112	PRM485/488/490/491/542	Town Hall	Roof repairs	20,000	55,000		75,000		75,000		Work to start 2018/19. Budget to be carried forward at year end
CUL112	PRM487	Town Hall	Fire compartmentation to underside of ballroom floor		70,000		70,000		70,000	70,000	Work no longer scheduled. Budget transfer back into Programme Maintenance reserve
CUL112	PRM458/486/539/540/541	Town Hall	Renew intruder alarm heads, repair CCTV, repairs to cellar basement & external stonework	7,000	14,200		21,200	(4,759)	25,959		Work to straddle 2017/18 and 2018/19 financial years. Budget balance to be carried forward at year end
CUL112	PRM000	Town Hall	Town Hall improvements -programme maintenance			21,300	21,300		21,300		Budget transferred from underspend. Work to be carried out in 2018/19. Budget to be carried forward at year end
CUL113	PRM530	Pittville Pump Room	Redecorations to external windows / elevations	25,000	0	30,000	55,000		55,000		Work to start 2018/19. Budget to be carried forward at year end
CUL113	PRM526	Pittville Pump Room	Redecorations to external elevations at high level	30,000		(30,000)	0		0		Budget combined with external window work PRM530
CUL113	PRM359/519/524/525/527/528/529	Pittville Pump Room	Redecorations, repairs and CCTV replacement	24,500	5,000		29,500	1,787	27,713		Work to start 2018/19. Budget to be carried forward at year end
CUL113	PRM282	Pittville Pump Room	H&S remedial and compliance work			1,500	1,500	1,930	(430)	(430)	Work completed - overspend offset against underspend in year transferred to Property Maintenance reserve
CUL117	PRM546	Art Gallery & Museum	Fire Risk Assessment consequential improvements to fire compartmentation	32,000			32,000		32,000		Work to straddle 2017/18 and 2018/19 financial years. Budget balance to be carried forward at year end

PLANNED MAINTENANCE PROGRAMME 2017/18 - to 31st December 2017

Code		Scheme	Description	Agreed Budget 2017/18	C/fwd from 2016/17	Virement during 2017/18	Revised Budget 2017/18	Actual 6 months 2017/18	Under/(Over) spend on Projects	Transfer to / (from) Prog. Mtce Reserve	Comments
CUL117	PRM496	Art Gallery & Museum	Energy reduction schemes		10,000	500	10,500	4,278	6,222		£6000 work to be completed 2017/18
FIE040	PRM002/282/416/472/473/474/475/522	Income & Expenditure on Investment Properties	Fire/Legionella/Asbestos consequential works, EIC certification	84,000	38,400	(7,000)	115,400	15,918	99,482		Work to start 17/18, estimated spend £17k. Balance of £82k to be carried forward to complete works in 2018/19
FIE040	PRM560	Income & Expenditure on Investment Properties	St Mary's Mission - rendering and re-painting	3,500			3,500		3,500		Work to be completed 2017/18
FIE040	PRM510	Income & Expenditure on Investment Properties	Berkeley Mews underpass misc repairs		6,000		6,000	1,986	4,014	4,000	Work completed. Underspend of £4000 transferred to Property Maintenance reserve
FIE040	PRM512	Income & Expenditure on Investment Properties	Windyridge underpass misc repairs		4,000		4,000		4,000	4,000	Work no longer scheduled. Budget transfer back into Programme Maintenance reserve
FIE040	PRM523	Income & Expenditure on Investment Properties	Energy reduction schemes	2,000			2,000		2,000		Work to be completed 2017/18
FIE040	PRM384	Income & Expenditure on Investment Properties	St James St (12) Provision of rear extension			4,000	4,000	4,817	(817)		Work complete. Retention due - accrued
OPS111	PRM543	Arie Nursery	Install safety filming to glazing	10,300			10,300		10,300	10,300	Work no longer scheduled. Budget transfer back into Programme Maintenance reserve
OPS111	PRM422/423/493/494/544/545	Arie Nursery	General repairs and refurbishments	11,500	8,800		20,300	2,244	18,056	18,056	Work no longer scheduled. Budget transfer back into Programme Maintenance reserve
OPS121	PRM561	Parks and Gardens	Long Gardens restoration of lamp standard bases	2,000			2,000	625	1,375	1,375	Work completed. Underspend of £1375 transferred to Property Maintenance reserve
OPS121	PRM357	Parks and Gardens	Pittville Park stonework repairs		6,000		6,000		6,000		Work to be completed 2017/18
OPS121	PRM472	Parks and Gardens	H&S remedial and compliance work			500	500	248	252		Work completed
OPS122	PRM556	Sports & Open Spaces	Pilley Footbridge structural repairs	100,000			100,000		100,000		Discussions ongoing with GCC
OPS122	PRM517/555/558	Sports & Open Spaces	QEII playing field, Burrows Pavilion floor covering, Honeybourne bird netting.	11,000	4,000	(3,500)	11,500	2,990	8,510		Work to be completed 2017/18
OPS122	PRM440	Sports & Open Spaces	Naunton Park Pavilion		9,482		9,482	(5,346)	14,828		Retention accrual from prior year no invoices yet received
REC111	PRM533	Recreation Centre	Tree works to Hudson Street	22,000			22,000	13,490	8,510		Work to be completed 2017/18
REC111	PRM476/534	Recreation Centre	Structural repairs to basement	20,000	7,400		27,400	5,917	21,483		Reversed retention accruals from prior year no invoices yet received
REC111	PRM535/537	Recreation Centre	Replace wet area floor tiling & poolside tiling	22,000			22,000	8,355	13,645		Work to be completed in conjunction with capital scheme 2018/19. Budget to be carried forward at year end
REC111	PRM366/531	Recreation Centre	New air conditioning system to Gym & Dance Hall	10,000	81,700	3,300	95,000	16,177	78,823		Work to be completed in conjunction with capital scheme 2018/19. Budget to be carried forward at year end
REC111	PRM364/466/522/532/536/538	Recreation Centre	General repairs & remedial works	18,000	25,500	1,000	44,500	31,178	13,322		Work to be completed in conjunction with capital scheme 2018/19. Budget to be carried forward at year end
REC112	PRM563	Prince of Wales Stadium	Replacement of boilers	20,000		(10,000)	10,000	11,315	(1,315)	(1,315)	Work completed - overspend offset against underspend in year transferred to Property Maintenance reserve
REC112	PRM484	Prince of Wales Stadium	Reline rainwater gutters		3,000		3,000		3,000		Work to start 2018/19. Budget to be carried forward at year end
REC112	PRM482	Prince of Wales Stadium	Annual maintenance of track high lighting			1,300	1,300	1,350	(50)		Work completed
RYC004	PRM220	Recycling centres	Replacement of compactors		90,000	(8,000)	82,000	57,897	24,103		To be used for replacement compactors in conjunction with cemetery capital scheme. Budget to be carried forward at year end
RYC004	PRM433/434/435	Recycling centres	Replacement of storage containers & bins		10,000	7,000	17,000	9,250	7,750		Work to be completed 2017/18
Various			Retentions from prior year jobs				0	(38,334)	38,334		Retention accruals from prior year completed projects - invoices due
		TOTAL PROGRAMMED MAINTENANCE		600,000	521,982	0	1,121,982	218,567	903,415	111,272	

Council Tax and Business Rates Collection Rates 2017-2018

Appendix 4

Council Tax 2017/2018

Current Year Charges - 2017/2018				The collection rate for the end of December is slightly below the target but we are optimistic that we can achieve the year end target.
Monitoring Period	% Collected at 31.12.2017	Target 31.12.2017	2017/2018 Target	
	85.96%	85.98%	98.35%	
Comparison with 2016/2017	As at 31.12.2016		% Collected 31.03.2017	
	85.97%		98.32%	

Previous Years Charges Outstanding in 2017/2018				The arrears outstanding at the end of December have not quite reached the targeted level. We will continue to monitor this closely but we are optimistic that we can achieve the year end target .
Monitoring Period	Amount outstanding at 31.12.2017	Target 31.12.2017	2017/2018 Target	
	£1,338,474	£1,348,000	£1,155,000	
Comparison with 2016/2017	As at 31.12.2016		Amount o/s 31.03.2017	
	£1,348,236		£1,159,253	

Business Rates 2017/2018

Current Year Charges - 2017/2018				The collection rate for the end of December is slightly below target. We are monitoring the position closely and are optimistic that we can achieve the year end target.
Monitoring Period	% Collected at 31.12.2017	Target 31.12.2017	2017/2018 Target	
	84.50%	85.10%	98.88%	
Comparison with 2016/2017	31.12.2017		% Collected 31.03.2017	
	85.06%		98.86%	

Previous Years Charges Outstanding in 2017/2018				The arrears outstanding at the end of December have not quite reached the targeted level. We are monitoring this but remain optimistic that we can reach the end of year target
Monitoring Period	Amount outstanding at 31.12.2017	Target 31.12.2017	2017/2018 Target	
	£743,116	£640,000	£570,000	
Comparison with 2016/2017	Amount outstanding at 31.12.2016		Amount outstanding at 31.03.2017	
	£656,962		£585,832	

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Cheltenham Borough Council: Aged Debt Report - as at 2 January 2018																
CostC	CostC (T)	No. Outstanding Invoices	Value of Invoices in Payment Plans	Value of Invoices with Halted Recovery *	Value of Invoices with Legal	Value of Invoices awaiting Credit Notes **	Value of Invoices for Write Off ****	Customer Credits ***	Not Due	0-30	1-3 Mths	3-6 Mths	6 mth - 1 Yr	1 - 2 Yrs	2 Yrs+	Total
ADB101 Total	Cheltenham Municipal Offices	2	0	0	0	0	0	0	0	15158.85	0	0	0	0	0	15158.85
ADB103 Total	Cheltenham Depot	6	0	0	0	0	0	-4576.17	0	28728.5	0	13728.5	0	0	12.48	37893.31
BAL100 Total	General Fund Balance Sheet	121	618.07	0	4471	0	0	-8936.69	442643.8	0	0	60.75	0	360	0	439216.93
BUC001 Total	Building Control - Fee Earning Work	8	1048.5	0	0	0	0	0	697.2	10749.6	0	0	0	0	0	12495.3
CCM001 Total	Cemetery, Crematorium and Churchyards	119	0	0	0	0	0	0	36579.5	52414.99	7777.99	1261	3480	0	0	101513.48
COM101 Total	Oakley Resource Centre	11	0	0	0	0	0	0	0	21942	9160	9000	0	0	0	40102
CSM001 Total	Cultural - Service Management and Support Services	1	0	0	0	0	0	0	0	0	6912	0	0	0	0	6912
ENF101 Total	Cheltenham Environmental Fund - Townscape	1	0	0	0	0	0	0	0	0	0	0	0	360	0	360
FIE030 Total	Interest and Investment Income	1	0	0	0	0	0	0	1547.95	0	0	0	0	0	0	1547.95
FIE040 Total	Income and Expenditure on Investment Proprieties	48	11228.22	0	9250	0	6417.25	0	7418	19127.89	2523.89	6401.83	0	0	0	62367.08
GBD001 Total	Community Welfare Grants	1	0	0	0	0	0	0	0	43000	0	0	0	0	0	43000
HOS004 Total	Housing Standards	7	0	637.5	1035.3	0	0	0	0	0	0	0	0	0	0	1672.8
LTC111 Total	Business Improvement District Administration	1	0	2254.54	0	0	0	0	0	0	0	0	0	0	0	2254.54
OPS001 Total	Parks & Gardens Operations	6	853.33	0	0	0	0	0	0	357.2	12043	0	0	0	0	13253.53
OPS002 Total	Sports & Open Spaces Operations	15	972.4	0	420.15	0	0	0	1184.41	3375	0	4425	19.2	0	0	10396.16
OPS004 Total	Allotments	585	0	55.14	0	18.03	0	-18.03	34447.7	0	0	0	365.13	0	0	34867.97
OPS101 Total	Arle Road Nursery Operations	2	0	170.07	0	0	0	0	0	0	0	1363.63	0	0	0	1533.7
PLP006 Total	Trees	3	0	0	874	0	0	0	0	0	0	0	0	0	0	874
REC101 Total	Recreation Centre Operations	1	0	181.3	0	0	0	0	0	0	0	0	0	0	0	181.3
REG001 Total	Environmental Health General	1	3655	0	0	0	0	0	0	0	0	0	0	0	0	3655
REG002 Total	Licensing	45	0	540	0	450	0	-500	2675.17	2640.75	2642.75	0	0	0	0	67
REG003 Total	Animal Control	1	0	0	0	0	0	0	0	0	0	0	320	0	0	20
REG013 Total	Polution Control	4	0	0	0	0	0	0	0	0	0	838	0	0	0	38
REG018 Total	Pest Control	27	0	155	0	0	0	0	1790	0	140	100	0	0	0	85
RYC004 Total	Recycling Centres	1	0	0	0	0	0	0	0	0	0	0	0	354.08	0	08
RYC008 Total	Bulking Facility	12	0	0	0	0	0	0	123681.93	3079.92	1381.68	0	0	0	0	53
SPP002 Total	Community Alarms	984	28422.27	344.43	0	159.2	0	-222.86	62.04	40	0	0	129.46	0	0	54
STC011 Total	Abandoned Vehicles	14	0	192	2144	0	0	0	0	0	192	96	288	0	0	12
SUP140 Total	Regulatory & Environmental Services Transformation	1	0	0	0	0	0	0	0	15000	0	0	0	0	0	15000
TGIO40 Total	Capital Grants and Contributions	1	0	0	0	0	0	0	0	0	66982.16	0	0	0	0	66982.16
TOU002 Total	Tourist / Vistor Information Centre	1	0	0	0	0	0	0	0	0	3600	0	0	0	0	3600
TRW001 Total	Trade Waste	485	79456.52	2036.9	476.61	120	0	-652.7	549	59428.71	0	1811.7	493.35	0	0	143720.09
General Fund Total		2516	126254.31	6566.88	18671.06	747.23	6417.25	-14906.45	653276.7	275043.41	113355.47	39086.41	5095.14	1074.08	12.48	1230693.97
HRA100 Total	Repairs and Maintenance	603	42662.68	53856.36	4542.45	20.01	0	0	2479.97	6324.82	6140.72	20849.7	21655.17	20085.34	28039.53	206656.75
HRA110 Total	Supervision and Management	1	0	0	0	0	0	0	0	0	0	0	0	461.61	0	461.61
HRA200 Total	Dwelling Rents	2	0	0	0	0	0	0	1133.86	0	0	0	3	0	0	1136.86
HRA210 Total	Non-dwelling Rents	120	8063.75	522	50	10	0	0	3200	35210.59	0	0	310	230	319.75	47916.09
HRA221 Total	Service Charges to Leaseholders	376	104501.44	53528.1	3289.73	0	0	0	297.57	0	12062.04	25027.11	13087.35	21042.3	45183.42	278019.06
HRA235 Total	HRA Other Income	8	0	0	0	0	0	0	0	0	0	0	0	0	160	160
HRA Total		1110	155227.87	107906.46	7882.18	30.01	0	0	7111.4	41535.41	18202.76	45876.81	35055.52	41819.25	73702.7	534350.37
Grand Total		3626	281482.18	114473.34	26553.24	777.24	6417.25	-14906.45	660388.1	316578.82	131558.23	84963.22	40150.66	42893.33	73715.18	1765044.34
Previous month's position		2896	258546.8	110500.15	30251.47	903.34	0	-19781.89	165514.35	139042.58	153424.53	17694.94	39359.83	50440.17	69786.61	1015682.88

* Value of Invoices with Halted Recovery - invoices with issues to be resolved before payment / futher recovery action e.g. service disputed, bounced direct debits, with bailiffs, etc.

** Value of Invoices Awaiting Credit Note - credit notes have to be authorised on Agresso, until they are authorised the invoices remain outstanding but a complaint code is used to mark them appropriately.

*** Customer Credits - accounts where customers have paid in advance of an invoice, or in error.

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Costc	Costc(T)	Account	Account(T)	VIREMENT 2017/18	Reason	Report Reference
				£		
Various	Salary contingency target saving	R1099	Salary contingency	-50,000	Over achievement of salary savings target through vacant posts	2.2
SUP034	Fleet Management	R3204	Vehicle Operating Lease	-120,000	Saving on lease from delayed purchase of vehicles	2.6
WST001	Household Waste	R5001	TPP - Major External Contractors	120,000	Additional cost of old vehicles	2.6
RYC008	Bulking Facility	R5005	TPP - Minor Contract Fees	63,000	Costs of wood contract	2.3
RYC008	Bulking Facility	R9242/4	Sale of paper /cardboard	50,000	Shortfall in income	2.4
RYC002	Green Waste	R9212	Garden Bins - Annual	-30,000	Additional income	2.4
CPK001	Car Parks - Off Street Operations	R9352	Car Park Fees	-100,000	Forecast surplus income	2.8
CSM001	Cultural - Service Management and Support Services	R5001	TPP - Major External Contractors	150,500	Postponed reduction to TCT management fee	2.7
various	Business Rates payable	R2300	Business Rates	-109,350	saving in business rates payable incl. one off refunds	2.9
FIE030	Interest and Investment Income	R9500	Interest receivable on long term investments	-18,300	Net additional interest receivable	3.1
Other- various	Electricity	R2100	Electricity	-11,000	Forecast saving in utility costs	
various	Gas	R2101	Gas	-9,000	Forecast saving in utility costs	
WST001	Household Waste	R4000	Equipment Purchase	10,000	Additional recycling bins	
WST001	Household Waste	R9240	Sale of purchased goods	17,000	Shortfall in sale of goods	
AIR101	Gloucestershire Airport	R4400	Services - Professional Fees	29,500	One -off professional fees	
SUP035	Insurances	R1412	Insurance - Combined Liability	1,400	Net increase in insurance costs	
SUP025	Property Services	R4400	Professional fees	6,250	Property valuation professional fees	
				<u>44,150</u>		2.1
Net Virements for approval				0		

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Cheltenham Borough Council

Cabinet – 13th February 2018

Council – 19th February 2018

General Fund Revenue and Capital – Revised Budget 2017/18, and Final Budget Proposals 2018/19

Accountable member	Cabinet Member for Finance, Councillor Rowena Hay
Accountable officer	Chief Finance Officer (Section 151 Officer), Paul Jones
Accountable scrutiny committee	Overview and Scrutiny Committee and Budget Scrutiny Working Group
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the revised budget for 2017/18 and the Cabinet's final budget proposals and pay policy statement for 2018/19.
Recommendations	<p>Cabinet / Council</p> <ol style="list-style-type: none"> 1. Approve the revised budget for 2017/18. 2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations. 3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £203.01 for the year 2018/19 (an increase of 2.99% or £5.89 a year for a Band D property), as detailed in paragraphs 4.26 to 4.30. 4. Approve the growth proposals, including one off initiatives at Appendix 4. 5. Approve the savings / additional income totalling £716,500 and the budget strategy at Appendix 5. 6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6. 7. Note that Gloucestershire was successful in becoming a 100% Business Rate Retention pilot in 2018/19 and propose that the additional revenue generated be earmarked for economic growth initiatives specific to Cheltenham (paragraphs 4.19 to 4.20). 8. Approve the extension of grants to Cheltenham Performing Arts (£20,000) and the Holst Birthplace Trust (£7,500) for a further 3 years, as detailed in paragraph 5.12.

9. **Approve the deferral of the 2017/18 Cheltenham Trust management fee saving to 2019/20 and 2021/22 and provide for a contingency within the working balance of £150,000 for the Trust to drawdown (paragraphs 5.13 to 5.18).**
10. **Approve the Pay Policy Statement for 2018/19, including the continued payment of a living wage supplement at Appendix 9.**
11. **Approve a level of supplementary estimate of £100,000 for 2018/19 as outlined in Section 13.**

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Paul Jones, Chief Finance Officer.</p> <p>E-mail: paul.jones@cheltenham.gov.uk</p> <p>Tel no: 01242 775154</p>
Legal implications	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>Members are not generally regarded as having a personal or prejudicial interest in the setting of the council budget and council tax. However, any member who is in arrears of council tax needs to give careful consideration to the provisions of section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least two months then the member must disclose this at the beginning of the meeting, which is to consider the council tax calculation and shall not vote on the matter. It is a criminal offence to disregard this requirement. Any member likely to be in such a position should seek advice as quickly as possible from the Monitoring Officer.</p> <p>There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements. The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels and this has been taken in to account in recommending a 2.99% increase as set out in the report.</p> <p>Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</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>In the spirit of building on our positive employee relations environment, the recognised trade unions received a budget briefing at the Joint Consultative Committee on 6th December 2017. Dialogue with the two recognised trade unions will continue throughout the coming year to ensure that any potential impact on employees is kept to a minimum and in doing so help to avoid the need for any compulsory redundancies. The Council's policies on managing change and consultation will be followed.</p> <p>Going forward, it is important that capacity is carefully monitored and managed in respect of any reductions in staffing and reduced income streams.</p> <p>Contact officer: Julie McCarthy (Publica Group Limited)</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
Environmental and climate change implications	The final budget contains a number of proposals for improving the local environment, as set out in this report.

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

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

Budget Proposal (excerpt from appendix 5)	Potential community and equality impacts and any mitigating actions
1. Place and Economic Development	
Transformation of Regulatory and Environmental Services delivery	Ensuring that our human resource processes used to enable any staff restructuring are compliant with equality legislation.
Review of fees & charges and income generation opportunities	None identified at this stage; the individual proposals for revising fees and charges will be subject to separate equality impact assessments to ensure that particular groups are not disadvantaged.
2. Organisational Change	
Revenues and Benefits restructure	Ensuring that our human resource processes used to enable any staff restructuring are compliant with equality legislation.
3. Finance and Assets	
Business Rates additional target through pooling	None identified although in 2018/19 this will be managed through the 100% Pilot for Business Rates retention.
Treasury Management activity	None identified.
LGPS up-front payment discount	None identified.
Additional Depot rent - Ubico	None identified.

Commercial rationalisation of existing assets and investment portfolio income generation	None identified at this stage; the detailed proposals for the use of our assets will be subject to separate equality impact assessments to ensure that particular groups are not disadvantaged.
4. Use of Reserves	
Use of Budget Strategy (Support) Reserve	None identified
Previously Delivered Savings Targets	
L&C Review - trust savings deferral	The equality and community impacts of the work to establish the Cheltenham Trust were set out in report to cabinet on 12 December 2012; the report identified that the agreed outcomes recognise the groups where participation is potentially lowest. This is being monitored through quarterly review meetings.

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. The consultation took place between the period 14th December 2017 to 19th January 2018 and this report sets out the final 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.
- 1.3 In December 2017 the Cabinet proposed a net budget requirement for consultation totalling £13.619m and was based on a 2.54% (£5 for Band D property) Council Tax increase.
- 1.4 Since the draft budget proposals were published, additional pressures have been identified which have been captured within the growth proposals in Appendix 4.
- 1.5 In addition, the revised contract fee for 2018/19 from Ubico has increased by a further c. £137k to reflect the national pay award for local government which is higher than anticipated, additional insurance premiums and an increase in finance lease payments in respect of the new waste and recycling vehicles.
- 1.6 The original proposed fee from Ubico provided for a 2% pay award across all service areas. However, based on the latest national pay negotiations, the revised fee recognises that in 2018/19, all staff on SCPs 6-19 inclusive would see their pay increase by between 3.7% and 9.1%. A significant proportion of the Ubico workforce fall within this pay bracket, and as such, will be entitled to a pay award in excess of 2%.
- 1.7 Following the Cabinet meeting held on 12th December 2017 the provisional financial settlement was announced on 19th December 2017. The most significant changes proposed in the settlement were:
 - The announcement that Gloucestershire has been accepted as a 100% Business Rates Retention (BRR) pilot in 2018/19;
 - No changes in the way that the New Homes Bonus (NHB) is calculated and the baseline target will remain at 0.4%. This equates to an additional £67,530 NHB in 2018/19;

- The flexibility to increase Council Tax by the greater of up to 3% (previously 2%) or £5 based on a Band D property which is in line with the December 2017 Consumer Prices Index (CPI);
- Permission to increase planning fees by 20% from January 2018;
- Fair Funding Review consultation on new funding methodology from 2020/21 which closes on 12th March 2018;
- Local share of Business Rates Retention to increase from 50% to 75% which will include the transfer of public health and other grants. Also recognised the 'strength of feeling' in the sector towards 'negative RSG' with a commitment to consult on the proposals which are due to be implemented in 2019/20 for this Council.

- 1.8** The additional pressures outlined in Appendix 4 have been funded by the additional New Homes Bonus, Business Rates and changes in the tax base / collection fund surplus with the proposal to increase Council Tax by an additional 0.45%, which will result in a revised net budget requirement of £14.429m as detailed in Appendix 3.

2. Budget Assessment of the Section 151 Officer

- 2.1** Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on HRA to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 2.2** The Section 151 Officer is satisfied that the proposed budget for 2018/19 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2018/19. The full assessment is attached at Appendix 2.

3. 2017/18 Budget Monitoring to December 2017

- 3.1** The budget monitoring report to the end of December 2017, also considered by Cabinet on 13th February 2018, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2017/18.

4. Settlement Funding Assessment

- 4.1** The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.
- 4.2** The final local government settlement for 2017/18 equated to a further grant reduction in cash terms of £0.676 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 £0.362 million or 11.3%.
- 4.3** 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).
- 4.4** 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	(0.391)
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.794
Settlement Funding Assessment	3.873	3.197	2.835	2.403
Actual cash (decrease) over previous year	(0.816)	(0.676)	(0.362)	(0.432)
% cash cut	(17.4%)	(17.5%)	(11.3%)	(15.2%)

- 4.5** It should be noted, however, that in 2018/19 this Council will forego its entitlement to Revenue Support Grant in return for a greater share of business rates under the pilot scheme and this is detailed below.
- 4.6** 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.
- 4.7** 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.
- 4.8** The provisional financial settlement, announced on 19th December 2017, suggests that the local share of Business Rates Retention will increase from 50% to 75% and will include the transfer of public health and other grants, and therefore may not require a specific Local Government Finance Bill to enable this.
- 4.9** A technical consultation paper on the funding mechanism for Local Government finance from 2020/21 (the Fair Funding Review) was launched through the provisional settlement with a closing date of 12th March 2018. Officers will work with colleagues within Gloucestershire to ensure a robust response is put forward on behalf of this Council.

Business Rates Retention (BRR)

- 4.10** 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.
- 4.11** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 4.12** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. In the first year of operation the Pool reported a surplus of £774,862.

- 4.13** 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.
- 4.14** In 2015/16 the Pool was back in surplus, generating £877,948, and in 2016/17 generated a further surplus of £2,138,443.
- 4.15** 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 would result in Cheltenham still being liable to a 'levy'.
- 4.16** Taking the above into account, the Section 151 Officer confirmed that this Council would benefit from remaining in the pool in 2018/19 as it would result in a reduction of any levy payment due to Government, which would be distributed in accordance with the governance arrangements
- 4.17** The Local Government Finance Bill was published on 13th January 2017. Its main purpose was to put in place the framework for 100% BRR. However, with the General Election in June 2017, this Bill was withdrawn and was not mentioned in any subsequent publications.
- 4.18** On 1st September 2017 the Department for Communities and Local Government (now known as the Ministry of Housing, Communities and Local Government) published an 'invitation to local authorities to pilot 100% business rates retention in 2018/19 and to pioneer new pooling and tier-split models,' with a deadline of 27th October 2017. Extensive modelling work was undertaken by the 7 Council's within Gloucestershire, supported by an external consultant, which reviewed the risks and rewards and resulted in a bid being submitted to the Government 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.
- 4.19** The Government announced the successful pilots on 19th December 2017 alongside the provisional financial settlement. Gloucestershire's bid was successful, and indications announced at the time were that this was worth circa £9.2m to Gloucestershire as a whole.
- 4.20** Under the pilot announced by the Government, 100% of growth is shared locally, with 50% going

to the District's and 50% to the County Council. As detailed in the table below, the benefit to Cheltenham Borough Council is estimated to be circa £633,457. However out of this share, provision must be made for a transfer to the Strategic Economic Development Fund which is currently estimated at £333,000. It is therefore anticipated that a retained element of circa £300,000 will be used to fund one-off economic growth initiatives specific to Cheltenham. It should be noted that this is an estimate of the rates collection forecast based on NNDR1 and the actual business rates collected may be more or less than this. It is therefore prudent to allocate this additional share to the Business Rates Retention earmarked reserve until a point that the monies can be released to fund specific schemes when there is more clarity on the actual business rates collected. As the pilot does not form part of the settlement funding assessment for Cheltenham Borough Council and is only for one year, this additional income has not been built into future base budget estimates.

- 4.21** One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Ministry of Housing, Communities and Local Government (MHCLG). The NNDR1 return was submitted to the MHCLG by the deadline of 31st January 2018 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position under the 100% pilot is £1,942,709. However, due to temporary retail closures arising from town centre redevelopments, the large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health/medical centres (which are backdated several years) and other rateable value changes, deficit adjustments need to be made from previous years to the value of £745,710.
- 4.22** It is therefore appropriate and necessary to support the 2018/19 budget proposals with a contribution from the BRR reserve which has been built up over the last two financial years to deal with these issues.

	2017/18 Original 50% system £	2017/18 Revised 50% system £	2018/19 Comparison 50% system £	2018/19 Original 100% system £
Retained business rates per NNDR1	21,470,254	20,960,028	21,742,783	27,178,478
Tariff payable to government	(17,818,354)	(17,818,354)	(18,665,960)	(23,875,005)
Grant to compensate for government decisions	676,296	1,156,858	1,187,681	1,474,787
Estimated levy payable to government after Pool surplus/deficit	(605,394)	(434,174)	(222,000)	-
Net retained business rates	3,722,802	3,864,358	4,042,504	4,778,260
Less Baseline Funding (target level of net retained rates)	(2,653,532)	(2,653,532)	(2,733,252)	(2,835,551)
Net surplus on business rates against baseline funding	1,069,270	1,210,826	1,309,252	1,942,709
Deficit adjustment re 2015/16	(303,960)	(303,960)	-	-
Deficit adjustment re 2016/17	(140,464)	(140,464)	(235,484)	(235,484)
Deficit adjustment re 2017/18	-	510,226	(510,226)	(510,226)
One-off adjustments re previous years' deficits	(444,424)	65,802	(745,710)	(745,710)
Net retained business rates (after one-off deficit adjustments)	3,278,378	3,930,160	3,296,794	4,032,550
Revenue Support Grant	544,030	544,030	102,299	-
Net retained business rates plus revenue support grant	3,822,408	4,474,190	3,399,093	4,032,550
Transfer to BRR earmarked reserve				(633,457)
Net retained business rates				3,399,093

4.23 The move to local business rates retention still appears to be a positive one, but local authorities have faced a series of obstacles in trying to make it a success. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, although it is nearly four years since business rates retention was introduced and the rules are still changing.

4.24 A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business

rates may be repayable back to the 2010/11 financial year, which reduces the business rates yield in the year in which the refund is made. The Council has made provision for its share of the cost of outstanding appeals in its financial statements. The level of provision has been reviewed as part of the preparation of the business rates estimates for 2018/19.

- 4.25** Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates. Large appeals and RV reductions from other public sector organisations could also undermine local government's ability to make business rates retention a success.

Council Tax

- 4.26** For the period 2010 to 2015 the Council had frozen its council tax. 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.
- 4.27** 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 in 2018/19 for council tax increases is now proposed at 3 per cent for all local authorities. However, shire districts will be allowed increases of up to and including £5, or up to 3 per cent, whichever is higher.
- 4.28** Consumer price index (CPI) inflation was 3.0% in December 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.
- 4.29** With increased pressure for the cap on public sector pay to be lifted and the need for inward investment in the Borough through specific events and marketing of the Town, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.30** Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2018/19; an increase of £5.89 for the year for a Band D property.

Collection Fund

- 4.31** In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2017/18 is £172,000 which will be credited to the General Fund in 2018/19. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

5. The Cabinet's general approach to the 2018/19 budget

- 5.1** 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.
- 5.2** 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.

- 5.3** 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 sits alongside the Medium Term Financial Strategy (MTFS) as detailed in Appendix 10. In addition, resources will be geared towards supporting and delivering the growth agenda including major developments in North West and West Cheltenham.
- 5.4** 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 Appendix 5.
- 5.5** The Cabinet's interim budget proposals for 2018/19, approved at a meeting on 12th December 2017, included an estimate of £1.643m for the 2018/19 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 11.3% cut in government support.
- 5.6** The final assessment of the budget gap for 2018/19, based on the detailed budget preparation and the assumed financial settlement is £1.629m.
- 5.7** 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.
 - Identify savings and additional income that could be used to strengthen the Council's Budget Strategy (Support) reserve.
- 5.8** In preparing the 2018/19 budget proposals, the Cabinet and officers have:
- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The full list of proposals for growth, including one off initiatives, is included in Appendix 4.
 - Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
 - Budgeted for pay inflation at 2% for 2018/19.
 - Budgeted for an increase in Members allowances of 2% for 2018/19 as agreed by Full Council on 11th December 2017.
 - Budgeted for superannuation increases in accordance with the triennial review 2016 which were in line with those forecast in October 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 Place and Economic Development Services management team. A target of £50k per annum has been established as part of the savings strategy approved to deliver a balanced budget.

- Agreed a strategy regarding the re-prioritisation of resources, cost reduction, vacancy management and income generation to deliver key work-streams identified around the place strategy.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

- 5.9** As in previous years, the budget for the coming year is the result of a great deal of activity and hard work by officers and members throughout the year. The Cabinet has worked with the Executive Board to develop a longer term strategy for closing the funding gap and this is monitored regularly. The Cabinet's final budget proposals for closing the budget gap in 2018/19, which are the result of this work, are detailed in Appendix 5.
- 5.10** This budget proposes to make full use of the New Homes Bonus, a total of £1.754m, to support the 2018/19 revenue budget.
- 5.11** In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years. These short-term challenges require a short-term response and it is therefore the Cabinet's intention to meet the projected shortfall in funding of £913,058 in 2018/19 from the budget strategy (support) reserve rather than by cuts in services or increases in charges which would have a long-term impact.

Grants to Cheltenham Performing Arts and the Holst Birthplace Trust

- 5.12** It is proposed to extend the provision of grant funding for Cheltenham Festival of Performing Arts (CFPA) and The Holst Birthplace Trust for another three years from April 2018 to March 2021 in the sum of £20,000 per annum and £7,500 per annum respectively. Both organisations form an important part of Cheltenham's cultural offer. The Holst Birthplace Museum houses the council's collection relating to Gustav Holst together with more general Victoriana, providing visitors with an opportunity to learn more of Holst's life and experience domestic life at the end of the 19th Century. These objects might otherwise not be publicly accessible. Gustav Holst also supports the town's international profile. The Cheltenham Festival of Performing Arts is the town's oldest festival and provides an opportunity for local schools and individuals to become involved in the Arts with particular reference to music, speech, drama and dance. The work of both organisations will contribute to the council's Place Strategy outcomes.

The Cheltenham Trust

- 5.13** In October 2014, the Council created a charitable trust (The Cheltenham Trust) to sustain and develop the good work of the council's in-house leisure and culture services. As well as leading to significant financial benefits to the Council and the town, it was recognised that a trust would be in a stronger position to promote healthier lives, to create inspirational experiences and to promote the town as a great place to be.
- 5.14** Over the first 3 years of operation (2014 to 2017) the Trust has delivered base budget revenue savings to the Council of £641,800 which cumulatively equates to financial savings in excess of £1.8m over the same period. In addition, the Trust has managed to leverage in additional grants in excess of £900k. These savings primarily have come from business rates, employer pension contributions and VAT; it is acknowledged that these savings could not have been realised through the continuation of an in-house provision.
- 5.15** When the original business case was put before Council it was anticipated that overall savings of £835,300 could be realised by 2018/19, the difference being £193,500 which were scheduled to be delivered in 2017/18 and 2018/19. Over the last 3 months, representatives from the Trust have met with Officers and the Cabinet to express their difficulty in delivering these latter savings

without significant investment into the business.

- 5.16** Members will recall that the Council has recently agreed to invest in the leisure facility which will deliver a significant new income stream after taking into account the financing costs. The delays to this scheme mean that the financial benefits will not be delivered until early 2019.
- 5.17** The Cabinet therefore propose that, in order to give the Trust the best opportunity to succeed, the management fee reductions proposed in 2017/18 and 2018/19 (totalling £150,500 and £43,000 respectively) be deferred until the financial years 2019/20 and 2020/21 as detailed in Appendix 5.
- 5.18** The Cabinet further propose that a contingency provision of £150,000 be held in general balances for the Trust to draw down; this will provide for short-term losses incurred by the Trust as they go through re-organisation and transformation. Furthermore, the Cabinet have requested that the Trust look at their business operations, including those services that are currently protected, to ensure it is fit for purpose and commercially focussed.

6. Treasury Management

- 6.1** Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 6.2** 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.

7. Reserves

- 7.1** Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This assessment is included within Appendix 2.
- 7.2** 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.
- 7.3** A projection of the level of reserves to be held at 31st March 2018 and 31st March 2019 respectively is detailed in Appendix 6.

8. Capital Programme

- 8.1** The proposed capital programme for the period 2017/18 to 2020/21 is at Appendix 7.
- 8.2** 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.
- 8.3** In addition the capital programme sets aside an allocation for enhancing our property portfolio with the aims of delivering economic growth and regeneration.

9. Property Maintenance Programmes

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

10. Pay Policy Statement

- 10.1** Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.
- 10.2** The Pay Policy attached at Appendix 9 includes the following key requirements of the Localism Act 2011:
- policy on pay for each of the 'in scope' Officers;
 - policy on the relationship between Chief Officers and other Officers;
 - policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

11. Reasons for recommendations

- 11.1** As outlined in the report.

12. Consultation and feedback

- 12.1** The formal budget consultation on the detailed interim budget proposals took place over the period 14th December 2017 to 19th January 2018. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed.
- 12.2** The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 8th January 2018 and comments have been fed back to the Cabinet.

13. Supplementary Estimates

- 13.1** Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2018/19 to be met from the General Reserve, the same level as in 2017/18.

14. Alternative budget proposals

- 14.1** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Section 151 Officer (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly captured.

- 14.2** It is also important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

15. Final budget proposals and Council approval

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

16. Performance management – monitoring and review

- 16.1** The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from delivery of services to delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.
- 16.2** The delivery of the savings workstreams included in the final budget proposals, if approved by full Council, will be monitored by the Budget Scrutiny Working Group.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Growth 5. Savings / additional income 6. Projection of reserves 7. Capital programme 8. Programmed Maintenance programme 9. Pay Policy Statement 10. Medium Term Financial Strategy (MTFS) – Background Paper
Background information	<ol style="list-style-type: none"> 1. Budget strategy and process report 2018/19 (Cabinet 10th October 2017) 2. General Fund Revenue and Capital – Interim Budget Proposals and Medium Term Financial Strategy 2018/19 to 2021/22 (Cabinet 12th December 2017) 3. Budget Monitoring Report 2017/18 position as at December 2017 (Cabinet 13th February 2018) <p>www.gov.uk/government/consultations/the-case-for-a-business-rates-relief-for-local-newspapers</p>

Risk Assessment - proposed budget 2018/19

Appendix 1

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.							<p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p>			
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	<p>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.</p>	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	<p>As part of the delivery of the BtG / commissioning programmes a clear communication strategy is in place. In adopting a</p>	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	

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

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES 2018/2019

1. INTRODUCTION

The Local Government Act 2003 Section 25 includes a specific duty on the Chief Finance Officer (Section 151 Officer) to make a report to the authority when it is considering its annual budget and council tax levels. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act 'reserves' includes 'general fund balances'.) The Act requires the Council to have regard to the report in making its decisions at the Council's budget and council tax setting meeting in respect of 2018/19.

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

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

2. ROBUSTNESS OF ESTIMATES

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

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

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

- the issuing of clear guidance to Service Managers on preparing budgets through the annual budget strategy report;
- peer review by GO Shared Services finance staff involved in preparing the standstill base-budget, i.e. the existing budget plus contractual inflation;
- the use of in-year budget monitoring to re-align budgets in line with projected changes for 2018/2019;
- a medium term planning process that highlights priority services;
- a review of the corporate risk register;
- a service review by the Cabinet, Executive Management Team and Service Managers of detailed budget and proposed savings and their achievability; and
- GO Shared Services finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

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

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

Budget Assumption	Financial Standing and Management
1. The treatment of demand led pressures.	<p>Service Managers will be expected to manage changes within their budgets by re-prioritising or by taking steps to reduce expenditure where income streams decrease significantly. Where this is not possible it will be necessary to use the working balance or earmarked reserves on the understanding that they may need to be restored in future years.</p> <p>The full rollout of Universal Credit (UC) began in Cheltenham on 6th December 2017. It is estimated that up to 1,800 tenants will 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.</p>

Budget Assumption	Financial Standing and Management
<p>2. The treatment of inflation and interest rates.</p>	<p>The following assumptions have been made in the preparation of the Medium Term Financial Strategy in respect of inflationary pressures:</p> <ul style="list-style-type: none"> • Pay awards are modelled at 2% per annum from 2018/19. • Employer's Superannuation contributions – agreed until 2020 through the latest triennial valuation and through agreement to pay the required secondary sum payments to the Local Government Pension Scheme (LGPS) as an up-front payment for the next 2 years future liability (i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment). Future uncertainty in the economy / fund performance may increase pension fund deficits although budgeting assumptions follow actuarial advice. Current modelling and results suggest the current strategy will ensure the Council is in a positive cash-flow position by 2018/19, resulting in an improved funding level. • Contract inflation has been allowed for at the appropriate contractual rate • In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain service levels. In-year increases will need to be managed. • The Council provides a number of demand led services e.g. green waste collection, car parking, building control charges, etc. The estimates for 2018/19 have been prepared on the advice of officers who have taken a professional view on income levels, based on their opinion about the local economic conditions. Income from fees and charges will generally have been increased where legislation permits although a more targeted approach to demand led services have been appraised by Service Managers. • On 8th July 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years. This resulted in an estimated loss of rental income of £6.7m in the period to 31st March 2020. The proposals agreed in 2016/17 recommended a balanced approach to cost savings and planned use of reserves. The Government has now confirmed that from April 2020 rent policy will revert back to the previous guidelines of allowing annual increases of up to CPI + 1% per annum. • Despite historic significant investment returns, the treasury management budgets are based on sustained low interest rates. The budget proposes a diversification into pooled funds which will expose the Council to investments within property, bonds and equities. These funds have the advantage of providing wide diversification of investment risk, coupled with the services of professional fund managers in return for a fee. These funds offer enhanced returns over the longer term, but are more volatile in the short-term but will allow the authority to diversify into asset classes other than cash. • The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its policy and strategy statements annually. The Investment Strategy is reviewed annually to ensure security of public money. Following the banking crisis, our treasury advisors continue to advise the Council and Treasury Management Panel on policy. <p>Risks around inflation and interest rate variations have been built into my assessment of the budget. In-year increases will need to be managed but may need to be funded from General Balances and subsequently be built into base budget in future years.</p> <p>The recommended minimum HRA revenue reserve to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £3.605m at 31st March 2021 which is deemed sufficient to cover the impact of the changes in Housing and Welfare Policy over the medium term.</p>

Budget Assumption	Financial Standing and Management
<p>3. Estimates of the level and timing of capital receipts.</p>	<p>Property services need 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. In December 2016, Full Council agreed that a minimum of 50% of all future asset disposal proceeds be ring-fenced to enhancing the Council's land and asset portfolio. In that same report, Full Council endorsed an aim to generate a minimum 5% yield on future investment in property to help towards achieving a sustainable MTFS.</p> <p>No major General Fund capital receipts are anticipated that would affect the planned capital expenditure in 2018/2019. A strategic review of our property portfolio has been undertaken to support the development of the investment property portfolio and to ensure that the council's assets make the maximum contribution possible to support the MTFS.</p> <p>Housing stock sales through Right to Buy (RTB) are estimated to be at 30 per annum to March 2022 then reducing to 20 per annum thereafter. These receipts will be ring-fenced towards the supply of new housing.</p>
<p>4. The treatment of efficiency savings/ productivity gains.</p>	<p>The majority of savings proposals for 2018/2019 are already in progress and no identified slippage has been identified. This should not undermine our ability to keep expenditure within budget in 2018/19 although provision is made for slippage within working balances.</p>
<p>5. Government support.</p>	<p>The following assumptions have been made in the preparation of the Medium Term Financial projections in respect of Government support:</p> <ul style="list-style-type: none"> • The estimates for 2018/19 are based on the final financial settlement notified by the Ministry of Housing, Communities and Local Government (MHCLG) on 7th February 2018. Whilst the Valuation Office Agency (VOA) error led to Cheltenham receiving an increased Tariff of £454k from that proposed in the provisional settlement, this has been partly offset by an increase of £383k in Section 31 grant to compensate us for limits to the increase in the NNDR multiplier. • The medium term financial projections reflect the significant reductions in Revenue Support Grant (RSG) as it is top-sliced to fund the growth in the New Homes Bonus (NHB). • The budget requires £1.754m of New Homes Bonus (NHB) to support the revenue budget in 2017/18. The fact that this source of funding is being top-sliced from the RSG, means that the Council has little alternative but to regard this money as an important part of its income stream and is therefore assumed to be base funding across the period of the MTFS. • The budget for 2018/19 includes assumptions for business rates based on estimates of collection rates, bad debts, appeals, reliefs (mandatory and discretionary) and assumed 50% share under the 2018/19 100% Business Rates Retention pilot for Gloucestershire. The medium term financial projections make no provision for the impact of future changes in the mechanism for operating local business rates retention but this budget uses a reserve to help mitigate the risk of any future fluctuations from previous years' one-off deficits. <p>Despite the uncertainty over future government funding, I am comfortable that the Council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and NHB receipts.</p>

Budget Assumption	Financial Standing and Management
<p>6. Proposed level of council tax.</p>	<p>When setting the level of council tax, members should always consider the medium term outlook to ensure that a sustainable budget position is maintained</p> <p>Members also need to acknowledge that the Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific increase (the greater of up to 3% or £5 in 2018/19).</p> <p>Council tax is the main source of locally-raised income for this authority and has previously been referred to by MHCLG as 'an important source of funding which is used to meet the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants.</p> <p>When calculating the core grant settlement, the Government assumes that all Shire Districts will increase their Council Tax by the threshold amount for 2018/19. The indicative grant levels for the period 2019/20 also assumes that all local authorities will increase their Council Tax levels up to the threshold each year.</p> <p>There has been an important shift in the Government's principles, most noticeably, the shift away from freezing council tax to using council tax to generate additional funding. Given that this budget relies on the use of reserves to generate a balanced budget in 2018/19, I am of the opinion that council tax cannot be frozen as it would carry significant risks in future years. I therefore support a council tax increase of 2.99% as this will avoid the requirement for a referendum (cost c. £50k) for council tax increases over the government cap.</p>
<p>7. Medium Term Financial Strategy (MTFS) – the strategy for closing the projected funding gap.</p>	<p>Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme.</p> <p>The 2018/19 budget includes medium term financial projections of the projected funding gap and indicates broadly how the Council may close the projected funding gap over the period 2018/19 to 2021/22. The Medium Term Financial Strategy (reported to Cabinet 12th December 2017) outlines the strategy for closing the funding gap and includes savings and income targets rather than necessarily specific worked up projections of cost savings.</p> <p>The Council has traditionally provided 'one off' funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or earmarked reserves.</p> <p>The Council's approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap and is effectively scrutinised.</p> <p>The Council is developing a more commercial approach to service provision with the aim of becoming self-financing and less dependent of Central Government funding. This approach will help refocus on delivering a sustainable MTFS. It is anticipated that the move to a greater share of business rates is a step in the right direction for Cheltenham, although we are already aware that a system of tariffs and top-ups will remain which effectively distributes funding across the Local Government sector. Developing strategies for business and economic growth which will generate revenue for the council to offset the reductions in government funding streams will be a key strand of the development of the MTFS.</p>
<p>8. The authority's capacity to manage in-year budget pressures.</p>	<p>The authority has proven its ability to manage in-year budget pressures with no recorded overspends in recent years. Improvements to our Devolved Budgetary Control scheme have improved our management of cash limited budgets.</p>

Budget Assumption	Financial Standing and Management
9. The strength of the financial information and reporting arrangements.	The Council has strong internal and external reporting standards. Quarterly management reports are made to the Cabinet. These procedures have allowed firm management of any projected overspends in the past. These reports have been enhanced with detailed financial commentary and clear direction with regards to in-year virements which aids transparency and full scrutiny.
10. The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.	The Council's virement and carry forward rules are clear. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council's Devolved Budgetary Control scheme gives managers flexibility to manage budget variations within their services. Service overspends may be clawed back from future budgets.
11. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are considered adequate. The Council does self-insure on small claims and has reserves to meet any excesses relating to claims. No uninsured risks have been identified.
12. The approach to financing the maintenance programme.	The Council has £600k built into the base revenue budget to fund the annual maintenance budget of the property portfolio. The maintenance schedule of planned commitments has been established for 2018/19 and will be reviewed by the Asset Management Working Group on an annual basis.

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

3. ADEQUACY OF RESERVES AND BALANCES

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

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

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

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

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

GENERAL (WORKING) BALANCES – CALCULATION OF OPTIMUM LEVEL

There are two approaches for deciding the optimum level of working balance. One approach is to apply a percentage range to the Net Budget Requirement, currently assessed as between 5% and 10% or a level between £0.721m and £1.443m. The alternative is a level based upon a risk assessment of the budget. In 2018/19 the Section 151 Officer has used a risk based approach to assess the appropriate level of general balances.

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

- Inflationary pressures.
- Pension Fund changes.
- Planned savings measures.
- Interest rate variations.
- Volume variations on demand-led services such as planning fees, land charges.
- New services/initiatives including waste and recycling.
- 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 further provision of £42,500 (0.50%) 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 2018/19 General Fund contract value suggests a figure of £77,000 should be kept as a provision within the working balance.
2.	Pension Fund Changes	The 2016 triennial review has brought a degree of certainty to future pension costs for 2018-2020. These will not impact adversely on the Council in the next 24 months so no specific provision is required at this point. The Chief Finance Officer has recently agreed to pay the required secondary sum payments to the Local Government Pension Scheme

	Area of Risk	Explanation
		(LGPS) as an up-front payment for the next 2 years future liability (i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment). This will realise a base budget saving of £275,000 by 2019/20 as the Council will benefit from a greater assumed investment return.
3.	Planned savings measures	<p>The Savings Strategy identifies £3.586m 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 £100,000 of work streams considered 'amber' or 'red' for 2018/19 in terms of delivery and so these are accommodated within the working balance.</p> <p>The Council's base budget includes an annual target of £375k 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 £37,500 for this is included within the working balance.</p>
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. However, the budget proposals determine that the Council will diversify some of its cash balances away from fixed term deposits towards pooled property funds and multi-asset funds such as equities and bonds.
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. The 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 £236,000 to reflect the volatility is recognised in the working balance.
6.	New services/ initiatives	In October 2017, a new waste and recycling scheme was introduced across the Borough. The roll-out has seen increases of around 25% of kerbside recycling collections. This exceeds the projections made as part of the project / financial parameters. The Council has been advised that considerable fluctuations occur in recycling / waste habits during the first few months of any significant change to the service. It is therefore prudent not to make longer term assumptions until patterns have been embedded. It is important to effectively analyse whether the levels will be sustained, and where the recycle now being collected is coming from (landfill waste or other recycling facilities). To this end a financial provision should be made to ensure collections are maintained to the expected standard during this interim period. As such a provision amounting to £200,000 to reflect the volatility is recognised in 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 cash balances.
9.	Financial guarantees/ contingent liabilities	Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.

	Area of Risk	Explanation
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. The council holds a separate earmarked reserve for Business Rates Retention which is also available if required.
12.	The Cheltenham Trust	A contingency provision of £150,000 be held in general balances for the Trust to draw down; this will provide for short-term losses incurred by the Trust as they go through re-organisation and transformation. The Cabinet have requested that the Trust look at their business operations, including those services that are currently protected, to ensure it is fit for purpose and commercially focussed.
13.	Cheltenham Transport Plan	In February 2014, Council approved an allocation of £50,000 towards a mitigation fund for the Cheltenham Transport Plan. This allocation is now held within the working balance.

The assumptions above total £1,313,000 suggesting that we strive to maintain a working balance around this figure during 2018/19. The Council should aim to not allow the working balance to fall below this figure. The current working balance is £1,408,591.

EARMARKED RESERVES

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

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

	Balance projected at 31 st March 2018 £
Budget Strategy (Support) Reserve	1,151,848
New Initiatives Reserve (Transformation)	595,914
Pension and Restructuring Reserve	200,000
	1,947,762

In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years such as the one-off drop in business rates income due to redevelopment, and the delay in securing a revenue stream from the North Place development. Given the late impact of the pay offer on the Ubico contract fee and the reported Valuation Office errors on the finance settlement, the budget proposals rely on a significant drawdown of this reserve in 2018/19, which will need to be replenished.

I have reviewed the revenue reserves and propose the transfers as identified in Appendix 6. I also consider that the financial reserves and working balance as proposed in these papers are adequate to fund spending plans for 2018/2019 and give a firm basis for the years 2019-2022. However, given the significant cuts proposed by Central Government in the future, I recommend that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

4. OVERALL CONCLUSION

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

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

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

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

PAUL JONES

Chief Finance Officer (Section 151 Officer)

NET GENERAL FUND FINAL 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	8,755,279	8,503,767
Environmental & Regulatory Services	3,130,023	2,898,238	2,395,051
Resources Directorate	5,050,983	5,113,530	4,691,248
Programme Maintenance	0	0	600,000
Bad debt provision	20,000	20,000	20,000
	15,830,729	16,787,047	16,210,066
Capital Charges	(1,337,500)	(1,573,900)	(1,474,800)
Interest and Investment Income	407,500	389,200	364,500
Use of balances and reserves	(164,127)	(186,062)	754,196
Savings / Additional income identified - Appendix 5			(716,500)
Proposed Growth recurring - Appendix 4			204,200
Use of Budget Strategy Support reserve	(882,205)	(882,205)	(913,058)
NET BUDGET	13,854,397	14,534,080	14,428,604
Deduct:			
Revenue Support Grant	(544,030)	(544,030)	0
National Non-Domestic Rate	(3,046,506)	(2,707,500)	(3,303,474)
National Non-Domestic Rate - 2015/16 surplus / deficit	303,960	303,960	0
National Non-Domestic Rate - 2016/17 surplus / deficit	140,464	140,464	235,484
National Non-Domestic Rate - 2018/19 surplus / deficit		(510,227)	510,227
National Non-Domestic Rates - S31 Grants	(676,296)	(1,156,858)	(1,474,787)
Local Council Tax Support- Transitional grant	(74,197)	(74,197)	0
New Homes Bonus	(1,750,000)	(1,777,900)	(1,754,530)
Less: Grant allocated to Parishes (council tax support)	10,269	10,269	5,169
Collection Fund Contribution	(128,000)	(128,000)	(172,000)
	(5,764,336)	(6,444,019)	(5,953,911)
NET SPEND FUNDED BY TAX	8,090,061	8,090,061	8,474,693
Band 'D' Tax	£197.12	£197.12	£203.01
Increase per annum			£5.89
Increase per week			£0.49
% Rise			2.99%
Gross Collectable Tax Base	41,560.81	41,560.81	42,166.87
Collection Rate %	98.75%	98.75%	99.00%
Net tax base	41,041.30	41,041.30	41,745.20

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PROPOSALS FOR GROWTH
Appendix 4

Ref	Division	Project Name	Description				Capital Costs
				2018/19	2019/20	2020/21	2018/19
				£	£	£	£
	SUPPORTED GROWTH						
1	Commissioning	In-house Strategic Clienting	Enhanced contribution to support the in-house strategic client role overseeing the delivery of the waste and recycling and other environmental services.	30,000	30,000	30,000	
2	Property & Asset Management	Staffing	Additional budget to fund the establishment of a 'fit for purpose' team to support delivery of (i) the councils aspirations for property investment portfolio growth; (ii) actions arising for the 'asset review' (December 2017 Cabinet) and (iii) major capital schemes.	45,000	45,000	45,000	
3	Place & Economic Development	Events Programme	Marketing / Promotional activities (including events) budget to expand the offer, which will contribute to the local economy and add further diversity to the festival and events calendar.	50,000	50,000	50,000	
4	General Data Protection Requirements (GDPR)	Commissioning of a Data Protection Officer (new statutory role) from One Legal	The new GDPR requirnmnets require the identification of a new Data Protection Officer post with responsibilities for application of new, more onerous legislation around personal data geared to ensuring people have the right to anonimity in the provision of personal data to the council. Post to be shared with Tewkesbury Council and Gloucestershire council.	17,000	17,000	17,000	
5	General Data Protection Requirements (GDPR)	Mass registration of members with the Information Commissioner Office (ICO).	Registration of elected members - 40@£55 each to ensure compliance with new legislation wef 25/5/18	2,200			
				144,200	142,000	142,000	
SUPPORTED ONE OFF GROWTH (FUNDED FROM HOMELESSNESS RESERVE)							
6	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	-	-	

PROPOSALS FOR GROWTH
Appendix 4

Ref	Division	Project Name	Description				Capital Costs
				2018/19	2019/20	2020/21	2018/19
				£	£	£	£
SUPPORTED ONE OFF GROWTH (FUNDED FROM NEW HOMES BONUS)							
7	Place & Economic Development	Gloucester, Cheltenham and Tewkesbury Joint Core Strategy (JCS)	The JCS was adopted at the end of 2017. Through the examination key areas of review were identified which the JCS councils will proceed with over 2018, including a retail review and assessment of housing shortfall. The JCS councils currently commit £60,000 per annum to the JCS programme. A full analysis is currently being undertaken to provide a profiled costing schedule. It is anticipated that additional resources of up to £60,000 will be required due to the costs incurred in the extensive JCS examination during 2018/19.	60,000			
			60,000	0	0	-	
SUPPORTED GROWTH (FUNDED FROM CAPITAL RESERVE/RECEIPTS)							
8	Democracy	Replacement of Audio Visual system in the council chamber	Provision for the replacement of the audio visual system in the council chamber plus the potential to improve access to public meetings using webcasting technologies linked via social media and/or the council's website. A member working group has been considering the options. A final decision will be taken by cabinet following the tender process				75,000
9	Place & Economic Development	Off Street Car Parking Infrastructure Investment	Additional capital funding for investment in infrastructure improvements to the Council's off-street car parks, aligned to the actions proposed in the Car Parking Strategy approved by Cabinet in June 2017.				400,000

Page 54

PROPOSALS FOR GROWTH

Appendix 4

Ref	Division	Project Name	Description				Capital Costs
				2018/19	2019/20	2020/21	2018/19
				£	£	£	£
10	Place & Economic Development	Community Infrastructure Levy (CIL)	A CIL examination will take place early 2018. Costs for 2017 were facilitated from the JCS programme to facilitate consultations, officer support and consultants analysis. During 2017 additional consultancy support was required to prepare the JCS councils for the forthcoming examination. Further costs are anticipated for the implementation of CIL software and licensing which is anticipated to be £28,000. Detailed analysis is currently underway to be clear on the financial issues to support the implementation of CIL, this is being set within the context of the CIL Regulations, which provide for Charging Authorities to recover their administrative costs from CIL income, up to a total of 5%, including set up costs of CIL, fees involved in setting the charge and any training - defrayed against the first 3 years income				28,0
11	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)	80,000
				-	(30,000)	(30,000)	583,000

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Page 57

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	1,629,558	2,095,593	1,470,864	611,034	5,807,049
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					
Property Services - reduction in cost of service	25,000					
Business Rates additional target through pooling	200,000		50,000			50,000
Treasury Management activity		240,000				240,000
LGPS up-front payment discount		114,000	161,000			275,000
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	300,000	350,000	300,000	1,000,000
Total	351,900	429,000	511,000	350,000	300,000	1,590,000
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	913,058	984,593	462,364		2,360,015
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	913,058	984,593	462,364	0	2,360,015
Total Identified Savings/Income	2,016,986	1,629,558	2,095,593	1,470,864	750,000	5,946,015
Shortfall / (Surplus) against MTFS Funding Gap	0	0	0	0	(138,966)	(138,966)

NB: traffic lights denote risk associated with delivery

* denotes decisions already made by Cabinet/Council

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	<u>Purpose of Reserve</u>	<u>31/3/17</u>	<u>2017/18</u>	<u>2017/18</u>	<u>31/3/18</u>	<u>2018/19</u>	<u>Proposals</u>	<u>2018/19</u>	<u>31/3/19</u>
			<u>Movement</u>	<u>Reserve</u>		<u>Movement</u>	<u>to Support</u>	<u>Movement</u>	
		£	<u>Revenue</u>	<u>Re-alignment</u>	£	<u>Revenue</u>	<u>2018/19 Budget</u>	<u>Capital</u>	£
			£	£	£	£	£	£	£
<u>Other</u>									
RES002	Pension and Restructuring Reserve	To fund future pension and restructuring liabilities	0	-200,000	-200,000	-70,200			-270,200
RES003	Economic Development & Tourism Reserve	To fund future economic and tourism studies	-104,200	100,000	-4,200				-4,200
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		20,000		-21,100
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	254,086	-595,914	120,200			-475,714
RES025	Budget Strategy (Support) Reserve	To support budget strategy	-2,034,053	882,205	-1,151,848		913,058		-238,790
			-3,960,968		-2,661,350				-1,489,192
<u>Repairs & Renewals Reserves</u>									
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			-300,000
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	-1,287,137	521,982	-765,155				-765,155
			-1,590,345		-1,146,563				-1,237,563
<u>Equalisation Reserves</u>									
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	-110,000	-30,100	-140,100	-41,000			-181,100
RES102	Planning Appeals Equalisation	Funding for one off appeals cost in excess of revenue budget	-207,932		-207,932				-207,932
		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
RES105	Local Plan Equalisation	Fund cyclical cost of local elections	-137,100		-137,100				-137,100
RES106	Elections Equalisation	To fund fluctuations in income from closure of car parks	-330,000		-330,000	-400,000		400,000	-330,000
RES107	Car Parking Equalisation	To fund fluctuations in income from retained business rates	-355,642	-411,783	-767,425	112,254			-655,171
RES108	Business Rates Retention Equalisation								
RES109	Cemetery Income equalisation reserve	Additional Crematoria income to fund 2nd chapel build scheme	0	-373,550	-373,550	-373,550			-747,100
			-1,247,904		-2,063,337				-2,365,633
<u>Reserves for commitments</u>									
RES301	Carry Forwards Reserve	Approved budget carry forwards	-376,700	376,700	0				0
<u>CAPITAL</u>									
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	-269,778	-236,400	-506,178	-200,000		115,500	-590,678
TOTAL EARMARKED RESERVES			-7,445,695		-6,377,428				-5,683,066
<u>GENERAL FUND BALANCE</u>									
B8000 -	General Balance - RR	General balance	-1,408,591		-1,408,591				-1,408,591
B8240			-1,408,591		-1,408,591				-1,408,591
TOTAL GENERAL FUND RESERVES AND BALANCES			-8,854,286	1,068,267	0	-7,786,019	-754,196	933,058	515,500
									-7,091,657

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Code	Funding	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/PPMR/HCR/GCR/R	Crematorium : Construction of new Chapels		7,008,100	8,203,236	-	-	-
CAP505	GCR	Town Centre acquisitions	Works on Shopfitters site	-	47,406	-	-	-
CAP503	GCR	Bus Station	Demolition of existing concrete bus shelter and waiting room and provision of services to supply new café facility	-	-	-	-	-
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	-	-	-
CAP605	PB	Loan to St. Margarets' Hall Trust	Towards cost of capital works		50,000			
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/HCR	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	-	-	-
		CHIEF EXECUTIVE						
		Leisure & Culture						
CAP126	GCR	Town Hall redevelopment scheme	Preliminary work, subject to Council approving a detailed scheme and a business case	360,000	400,000	-	-	-
CAP127	PPMR/P/GCR/PB	Sports and Play Hub Phase 1	Capital improvements to the leisure centre changing rooms. Extension of gym facilities and creation of new splashpad area. Scheme in partnership with The Cheltenham Trust	-	2,508,228	-	-	-
		Waste & Recycling						
CAP301	PB/GCR	Vehicles and recycling equipment	Replacement vehicles and recycling equipment	3,063,000	3,259,000	1,000,000	1,000,000	400,000
CAP303	C	Recycling receptacles	Heavy duty blue recycling bags, sacks and boxes	-	200,000	-	-	-
		Other						
CAP304	C	Other vehicles	Replacement vehicle for car park income collectors	-	11,050	-	-	-
		ENVIRONMENTAL & REGULATORY SERVICES						
CAP152	GCR	Public Realm - Promenade pedestrianised area	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.	46,900	44,500	-	-	-
CAP154	GCR	Public Realm - 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	-	-	-
CAP157	S106	King George V Public Art Project			-			
CAP204	GCR	Public realm - Improvements to Grosvenor Terrace Car Park (Town Centre East)	Improving linkages to the High Street, signage and decoration.	110,500	115,500	-	-	-
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. From 2017/18 Revised Budget consolidated with Car Park Investment scheme.	37,100	-		-	-
CAP205	GCR	Public Realm Improvements - High St	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	406,000	450,700	-	-	-
CAP205	GCR	Public Realm Improvements fees	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	-	204,000			

Code	Funding	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
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	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	-	-	-
CAP225	PB/HCR	Housing Enabling - St Paul's Phase 2	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation	-	-	-	-	-
CAP227	C/S	Housing Enabling - Garage Sites	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes	-	-	-	-	-
CAP228	S106	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation	670,000	669,300	-	-	-
CAP101	S106	Parks & Gardens 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	-	-	-
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					
		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					
	C	Improvements to off-street car parking (£400k)	Additional capital funding for investment in infrastructure improvements to the Council's off- street car parks, aligned to the actions proposed in the Car Parking Strategy approved by Cabinet in June 2017. Funded from car parking earmarked reserve.					
	R							

GENERAL FUND CAPITAL PROGRAMME

APPENDIX 7

Code	Funding	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
	C	Replacement of Audio Visual system in the council chamber (£75k)	Replacement of the audio visual system in the council chamber plus the potential to improve access to public meetings using webcasting technologies linked via social media and/or the council's website. Funded from capital reserve					
	C	Community Infrastructure Levy (CIL) (£28k)	Costs anticipated for the implementation of CIL software and licensing. Funded from capital reserve.					
		TOTAL CAPITAL PROGRAMME		24,041,900	29,364,220	23,320,000	1,795,000	1,195,000
	BCF	Funded by: Better Care Fund (DFG)		500,000	500,000	500,000	500,000	500,000
	LAA	LAA Performance Reward Grant		58,400	58,400	-	-	-
	LAA	LAA Grant - Warm & Well		-	-	-	-	-
	P	Partnership Funding		-	1,257,000	21,000,000	-	-
	PSDH	Private Sector Decent Homes Grant		175,200	374,000	-	-	-
	PPMR	Property Planned Maintenance Reserve		474,500	634,500	-	-	-
	S106	Developer Contributions S106		759,600	731,100	50,000	50,000	50,000
	HCR	HRA Capital Receipts		-	36,400	-	-	-
	GCR	GF Capital Receipts		5,403,394	5,795,536	1,357,000	832,000	645,000
	PB	Prudential Borrowing		16,670,806	19,393,234	413,000	413,000	-
	R	Revenue (RCCO)/other revenue reserves		-	373,000	-	-	-
	C	GF Capital Reserve		-	211,050	-	-	-
				24,041,900	29,364,220	23,320,000	1,795,000	1,195,000

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Page 65

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

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Pay Policy Statement

For all Employees at
Cheltenham Borough Council

2018/2019



Title: Pay Policy Statement

Issued by: Publica HR Team on behalf of CBC

First Issued: 31 March 2012

last updated: February 2018

next update: February 2019

1. Purpose

- 1.1. This Pay Policy Statement (The Statement) is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually prior to the commencement of the new financial year.
- 1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the Pay of its workforce for the financial year 2018-19, in particular: -
 - the remuneration of its Chief Officers
 - the remuneration of its "lowest paid employees"
 - the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers

2. Definitions

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

- **Chief Officers** as detailed in paragraph 7.1 of the document.
- **Lowest paid employees** of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1st April 2018 (pay award pending) the Grade A band will be from £15,014.00 to £15,375 per annum, made up of 4 incremental pay points.
- **Employees who are not Chief Officers** - refers to all staff not covered under the Chief Officer group detailed above.

3. Pay Framework & Remuneration Levels

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

4. Responsibility for Decisions

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

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

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

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

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

- Pension
- Occupational Sickness Scheme
- Maternity Scheme
- Overtime

5. Grading Framework & Salary Grades

5.1. Grading Framework

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

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

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

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

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

5.2. Shared Posts/Lead Employer

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

5.3. Salary Grades

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

6. Electoral Registration and Returning Officer

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

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

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

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

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

7. Remuneration - level & element

7.1 Chief Officers

Chief Executive	Director Level Band 1	£105,000 - £115,000 p.a.
Managing Director/Director	Director Level Band 3	£68,066 - £78,663 p.a.
Director	Director Level Band 4	£56,317 - £64,251 p.a.

7.2. Non Chief Officers

Employees	11 Grades A to K (see appendix A)
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7.3. New Starters Joining the Council

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

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

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

7.3. Lowest Paid Employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1st April 2018 (pay award pending) the Grade A band will be from £15,014.00 to £15,375 per annum, made up of 4 incremental pay points.

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

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

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

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 1st April 2018 the current ratio of *highest paid to lowest paid is 1:7. The ratio between the *highest paid salary and the median paid salary of the Council's workforce is 1:4.

Lowest Paid Employee

(Top of current salary band Grade A)
(Excludes Living Wage Allowance)

£15,014 (pay award pending)

Mean Paid Employee

(Average salary band of all employees up to & including Chief Officers)

£31,411 (pay award pending)

Median Paid Employee

(Middle Salary band value of all employees up to & including Chief Officers)

£25,951 (pay award pending)

Highest Paid Employee

£109,000 (pay award pending)

7.5. Bonuses

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

7.6. Performance Related Pay

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

7.7. Pay Protection

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

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

7.8. Severance Payments

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

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

The amount of redundancy pay will be calculated as –

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

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

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

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

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

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

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

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

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

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

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

7.10. Early/Flexible Retirements

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

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

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

7.11. Honorarium Payments

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

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

Or

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

7.12. Acting up Allowances

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

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

7.13. Market Forces Supplement

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

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

8. Reimbursement of Expenses

8.1 Travel & Subsistence

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

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

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

8.2 Disturbance Allowance

All employees who incur additional costs arising from a compulsory change in their work place will be reimbursed in accordance with the Council's Disturbance Allowance policy. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager. The Council does not regard such costs as remuneration but as non-pay operational costs.

8.3. Relocation Expenses

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

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

8.4. Professional Fees & Subscriptions

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

9. Re-employment of Former Council Employees

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

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

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

11. Trade Union Recognition and Facility Time

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

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

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

Activity/Duty	Estimated Hours per week	No of Reps	Total Estimated time per business year.*
Case Management & Advice to Membership	Average 1 hours per week	2	94 hours
Training	Average 0.5 hours per week	2	47 hours
Health and Safety	Average of 1 hours per week	2	94 hours
Corporate meetings, TU meetings and prep time	Average 0.5 hours per week	2	47 hours
Estimated Total Hours			282 hours
Estimated Average Total Hours per TU Rep Per Week		3 hours per week	

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

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

12. National Minimum Wage/Living Wage

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

The NMW rates from 1 April 2018 are:

- £7.38 (per hour) for workers 21 years of age and over
- £5.90 (per hour) 18 - 20 years of age
- £4.20 (per hour) for 16-17 years of age, who are above school leaving age but under 18 years of age

The National Living Wage

From **1 April 2018** all workers aged 25 and over are legally entitled to at least £7.83 an hour.

The Council's comparative hourly rate is Grade A scp 7, £7.83.

Grade A is used as a stepping stone grade from Apprentice to Trainee role. The employees on Grade A are usually under 21. The majority of the Council's employees are on Grade C scp 14, £8.70 and above.

The UK Living Wage

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

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

The Living Wage rates for 2018 are:

- £8.75 (per hour) UK rate outside London
- £10.20 (per hour) UK rate for London

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

13. Other operational/non-operational pay and conditions

Other pay and conditions in operation, as follows:

- Shift premium
- Stand by and call out payments
- Premium for bank holiday/public holiday working

- Long Service Award
- Enhanced Leave – buy or sell up to an additional 5 days leave.
- Childcare Vouchers Salary Sacrifice Scheme
- Training Fees Reimbursement (post entry training scheme)
- Employee Welfare Service
- Eye Test Voucher Scheme

14. Publication and access to information

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

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For more information about this Statement and/or its content please contact the Publica HR & Payroll Business Centre Team (acting on behalf on behalf of the Council) on 01242 77 5164 or email jobs@cheltenham.gov.uk

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

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SCP	GRADE	NEW ANNUAL	MONTHLY	WEEKLY Weekly RATE	HOURLY Hourly RATE	JE Points Score
GRADE		SALARY APRIL 18 - pay award pending	SALARY	37 hr week	37 hr week	
006	Grade A	£15,014	£1,251.17	£287.94	7.78	0-294
007	Grade A	£15,115	£1,259.58	£289.88	7.83	
008	Grade A	£15,246	£1,270.50	£292.39	7.90	
009	Grade A	£15,375	£1,281.25	£294.87	7.97	
010	Grade B	£15,613	£1,301.08	£299.43	8.09	295-344
011	Grade B	£15,807	£1,317.25	£303.15	8.19	
012	Grade B	£16,123	£1,343.58	£309.21	8.36	
013	Grade B	£16,491	£1,374.25	£316.27	8.55	
014	Grade C	£16,781	£1,398.42	£321.83	8.70	345-394
015	Grade C	£17,072	£1,422.67	£327.41	8.85	
016	Grade C	£17,419	£1,451.58	£334.07	9.03	
017	Grade C	£17,772	£1,481.00	£340.84	9.21	
018	Grade D	£18,070	£1,505.83	£346.55	9.37	395-444
019	Grade D	£18,746	£1,562.17	£359.52	9.72	
020	Grade D	£19,430	£1,619.17	£372.64	10.07	
021	Grade D	£20,138	£1,678.17	£386.21	10.44	
022	Grade E	£20,661	£1,721.75	£396.24	10.71	445-494
023	Grade E	£21,268	£1,772.33	£407.89	11.02	
024	Grade E	£21,962	£1,830.17	£421.20	11.38	
025	Grade E	£22,658	£1,888.17	£434.54	11.74	
026	Grade F	£23,398	£1,949.83	£448.74	12.13	495-544
027	Grade F	£24,174	£2,014.50	£463.62	12.53	
028	Grade F	£24,964	£2,080.33	£478.77	12.94	
029	Grade F	£25,951	£2,162.58	£497.70	13.45	
030	Grade G	£26,822	£2,235.17	£514.40	13.90	545-594
031	Grade G	£27,668	£2,305.67	£530.63	14.34	
032	Grade G	£28,485	£2,373.75	£546.30	14.76	
033	Grade G	£29,323	£2,443.58	£562.37	15.20	
812	Grade H	£29,959	£2,496.61	£574.57	15.53	595-644
813	Grade H	£31,122	£2,593.52	£596.87	16.13	
814	Grade H	£32,284	£2,690.34	£619.16	16.73	
815	Grade H	£33,443	£2,786.91	£641.38	17.33	
722	Grade I	£34,111	£2,842.59	£654.20	17.68	645-694
723	Grade I	£35,428	£2,952.34	£679.45	18.36	
724	Grade I	£36,762	£3,063.53	£705.04	19.05	
725	Grade I	£38,082	£3,173.53	£730.36	19.74	
632	Grade J	£38,693	£3,224.45	£742.08	20.06	695-744
633	Grade J	£40,319	£3,359.95	£773.26	20.90	
634	Grade J	£41,948	£3,495.63	£804.49	21.74	
635	Grade J	£43,585	£3,632.07	£835.89	22.59	
542	Grade K	£44,431	£3,702.62	£852.12	23.03	745 +
543	Grade K	£46,437	£3,869.75	£890.59	24.07	
544	Grade K	£48,431	£4,035.94	£928.83	25.10	
545	Grade K	£50,434	£4,202.81	£967.24	26.14	

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Cheltenham Borough Council

Cabinet - 13th February 2018

Council - 19th February 2018

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

Accountable member	Cabinet Member for Finance, Rowena Hay
Accountable officer	Paul Jones, Chief Finance Officer (Section 151 Officer)
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 budget proposals for 2018/19.
Recommendations	<ol style="list-style-type: none"> 1. Note the revised HRA forecast for 2017/18. 2. Approve the HRA budget proposals for 2018/19 (shown at Appendix 2) 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 Appendices 3 and 4. 4. Delegate authority to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to apply for a direction from the Ministry of Housing, Communities and Local Government to permit Discretionary Housing Payments to Council Tenants to be funded from the HRA if it appears probable that the annual Government allocation for the year will be exceeded (see paragraph 6.6 of the report).

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>There are no specific legal implications arising from the report.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@teWKesbury.gov.uk</p> <p>Tel no: 01684 272012</p>

HR implications (including learning and organisational development)	<p>There are no direct HR implications for the Council arising from this report.</p> <p>Contact officer: Julie McCarthy (Publica Group Ltd)</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings.

1. Introduction

The following amendments have been made to the interim budget report approved by Cabinet on 12th December 2017:-

- The revenue and capital forecasts for 2017/18 have been updated to incorporate latest information at 31st December 2017.
- The depreciation charge relating to dwellings has been increased for the current year and future years after further work on the new methodology referred to in paragraph 5.3 below.
- The ALMO management and maintenance fees and Council staff recharges to the HRA have been increased to reflect the current pay offer of 2% in April 2018 and April 2019.
- An additional appendix 5 is attached to the report which gives an overview of value for money within the HRA.

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. As at 25th January 2018 the number of live claims had increased to 163. It is

estimated that up to 1,800 tenants will 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 Asset Sales.

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 20p.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 the supply of new housing 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 £1,421,500 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	275
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)	1,142
Depreciation (Other Assets) – changes to asset classification and assumed lifecycle	-112
Other net variations	81
Increase in Operating Surplus (compared to budget)	1,421

- 5.2 The reduction in the use of revenue contributions to fund capital expenditure by £556,400 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 £7,635,800 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 £1,142,500 and a corresponding increase in the operating surplus for the year. However this will also reduce, by an equal amount, with 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 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) in 2018/19 as compared to the revised forecast for 2017/18 are itemised in the table below. There is a forecast reduction of £648,500 in the operating surplus for the year when compared with 2017/18.

Budget Heading	Change in resources
	£'000
Increase in ALMO management fee – pay award	-61
Increase in repair & maintenance – reflects pay award & inflation on materials and sub-contractor costs	-97
Increase in bad debt provision – roll out of Universal Credit	-96
Depreciation – inflation offset by stock loss	-96
Decrease in rents - rent reduction & stock loss	-275
Loss of supporting people grant – end of contract	-34
Other net variations	11
Decrease in Operating Surplus (compared to 2017/18)	-648

- 6.5 Revenue contributions totalling £4,081,500 will be required to fund capital expenditure in the year, reducing revenue reserves to £5,734,500 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 Section 151 Officer is delegated authority to apply for such a direction if it appears probable that the annual allocation will be exceeded in any financial year. The HRA budget does not yet include any provision for such expenditure.

7. Cheltenham Borough Homes (CBH)

- 7.1 The budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2018/19, which show a breakeven position on services provided to the Council.
- 7.2 The proposed management fee for 2018/19 (£5,144,000) assumes a 2% pay award in April 2018 and remains consistent with budget forecasts included in the four year plan.
- 7.3 It is anticipated that a combination of service efficiencies and sustained lower demand will give an overall saving of £369,400 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.

- 7.5 Appendix 5 gives a comprehensive overview of Value for Money (VFM) within the HRA. It describes the CBH approach to VFM and gives details of actual costs and performance in 2016/17 and targets for 2017/18 and 2018/19. It should be noted that costs include both CBH and CBC apportionments to the HRA.

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. Further reports will be brought forward as new schemes are identified.
- 9.7 The capital programme will require CBH to carry out procurement on behalf of the Council. The budget headings in Appendix 4 may include the award of more than one contract to the value of £100,000 and over (key decisions) which will be awarded in accordance with the Council's contract rules and the constitution.

9.8 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 £3,604,700 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 2018/19 budget proposals have been endorsed by the CBH Board and the Tenant Scrutiny Improvement Panel. No other specific concerns or comments have been received.

Report author	Steve Slater, Executive Director (Finance and Resources), Cheltenham Borough Homes Tel. 01242 387539; e-mail address steve.slater@cbh.org
Appendices	1. Risk Assessment 2. HRA Operating Account 3. Major Repairs Reserve and HRA Capital Programme (summary) 4. HRA Capital Programme (detail) 5. Value for Money in the HRA
Background information	1. HRA 30 year Business Plan 2. CBH Budgets and Plans 2018/19

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	

HRA OPERATIONAL ACCOUNT

	2017/18		2018/19	2019/20	2020/21
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
EXPENDITURE					
General & Special Management	2,168,000	2,164,900	2,194,600	2,242,500	2,054,800
ALMO Management Fee	5,083,000	5,083,000	5,144,000	5,259,000	5,359,000
Rents, Rates, Taxes and Other Charges	59,000	49,000	49,000	49,000	49,000
Repairs & Maintenance	3,958,800	3,684,000	3,781,400	3,868,100	3,939,300
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	4,368,900	4,465,100	4,546,000	4,616,000
Depreciation of Other Assets	183,500	295,300	296,200	297,600	299,000
Debt Management Expenses	80,000	80,000	81,600	83,200	84,900
TOTAL	18,963,400	17,609,800	17,992,600	18,360,100	18,456,700
INCOME					
Dwelling Rents	18,775,400	18,805,400	18,530,300	18,281,300	18,702,300
Non Dwelling Rents	423,600	449,700	460,500	465,400	469,300
Charges for Services and Facilities	857,000	847,600	855,700	867,500	888,400
Supporting People Grant	62,500	62,400	28,800	0	0
Feed in Tariff from PV Installations	213,400	230,000	238,600	247,000	254,400
TOTAL	20,331,900	20,395,100	20,113,900	19,861,200	20,314,400
NET INCOME FROM SERVICES	1,368,500	2,785,300	2,121,300	1,501,100	1,857,700
Interest Receivable	38,700	43,400	58,900	78,800	70,300
NET OPERATING SURPLUS	1,407,200	2,828,700	2,180,200	1,579,900	1,928,000
Appropriations					
Revenue Contributions to Capital	-2,616,900	-2,060,500	-4,081,500	-2,268,200	-3,369,500
Net Increase/(Decrease) in reserves	-1,209,700	768,200	-1,901,300	-688,300	-1,441,500
Revenue Reserve brought forward	6,176,100	6,867,600	7,635,800	5,734,500	5,046,200
Revenue Reserve carried forward	4,966,400	7,635,800	5,734,500	5,046,200	3,604,700

Average Social Rent:-				
Decrease/Increase 1st April		-1.00%	-1.00%	3.00%
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		-1.00%	-1.00%	3.00%
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

	2017/18		2018/19	2019/20	2020/21
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
Balance brought forward	0	0	0	0	0
Depreciation of Dwellings	5,511,400	4,368,900	4,465,100	4,546,000	4,616,000
Depreciation of Other Assets	183,500	295,300	296,200	297,600	299,000
	<u>5,694,900</u>	<u>4,664,200</u>	<u>4,761,300</u>	<u>4,843,600</u>	<u>4,915,000</u>
Utilised to fund Capital Programme	-5,694,900	-4,664,200	-4,761,300	-4,843,600	-4,915,000
Balance carried forward	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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	7,916,100	7,069,800	7,449,800	8,664,500
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	85,000	50,000	50,000	50,000
	<u>8,218,400</u>	<u>8,311,100</u>	<u>7,479,800</u>	<u>7,859,800</u>	<u>9,074,500</u>
NEW BUILD & ACQUISITIONS	2,459,400	1,769,600	3,500,000	310,000	250,000
TOTAL	<u>10,677,800</u>	<u>10,080,700</u>	<u>10,979,800</u>	<u>8,169,800</u>	<u>9,324,500</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	2,060,500	4,081,500	2,268,200	3,369,500
Leaseholder Recharges	200,000	450,000	300,000	300,000	300,000
Major Repairs Reserve	5,694,900	4,664,200	4,761,300	4,843,600	4,915,000
TOTAL	<u>10,677,800</u>	<u>10,080,700</u>	<u>10,979,800</u>	<u>8,169,800</u>	<u>9,324,500</u>

PROPERTY IMPROVEMENT & MAJOR WORKS				
Description of works	2017/18 £	2018/19 £	2019/20 £	2020/21 £
EXTERNAL IMPROVEMENTS	718,900	393,000	829,000	1,991,000
INTERNAL IMPROVEMENTS	321,100	372,900	376,600	664,600
PATHS, FENCES & WALLS	151,300	238,800	238,800	238,800
WORKS TO BUILDING FABRIC	12,200	-	-	-
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	24,300	75,000	75,000	75,000
RENEWAL OF HEATING SYSTEMS	851,500	934,000	881,100	1,052,900
MAJOR REFURBISHMENTS TO VOID PROPERTIES	551,300	522,000	464,000	466,000
WINDOWS & DOORS	3,478,300	2,425,000	2,112,600	1,498,100
ASBESTOS	252,500	190,000	190,000	190,000
SHELTERED ACCOMMODATION	30,800	30,000	30,000	30,000
NEIGHBOURHOOD WORKS	202,400	-	-	-
DOOR ENTRY SCHEMES	163,000	34,500	30,500	222,200
STRUCTURAL WORKS	4,900	30,000	30,000	30,000
COMMUNAL LIGHTING	258,200	991,100	240,300	105,500
FIRE PROTECTION	138,500	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	1,500	25,000	25,000	25,000
WARDEN CALL UPGRADE	-	-	-	-
FEE FOR MANAGING PROGRAMME	636,000	649,000	662,000	679,000
CONTINGENCY	44,400	60,500	149,900	298,400
TOTAL BUDGET FOR EXISTING PROPERTIES	7,916,100	7,069,800	7,449,800	8,664,500

NEW BUILD & ACQUISITIONS				
	2017/18 £	2018/19 £	2019/20 £	2020/21 £
COUNCIL APPROVED				
GARAGE SITES 2B	155,800	-	-	-
GARAGE SITES 2C	1,083,700	1,250,000	60,000	-
SWINDON ROAD	21,500	-	-	-
MARKET PURCHASE	227,000	2,000,000	-	-
SCHEMES SUBJECT TO TENDER & COUNCIL APPROVAL				
CURRENT ESTIMATE FOR PIPELINE SCHEMES	281,600	250,000	250,000	250,000
TOTAL BUDGET FOR NEW BUILD & ACQUISITIONS	1,769,600	3,500,000	310,000	250,000

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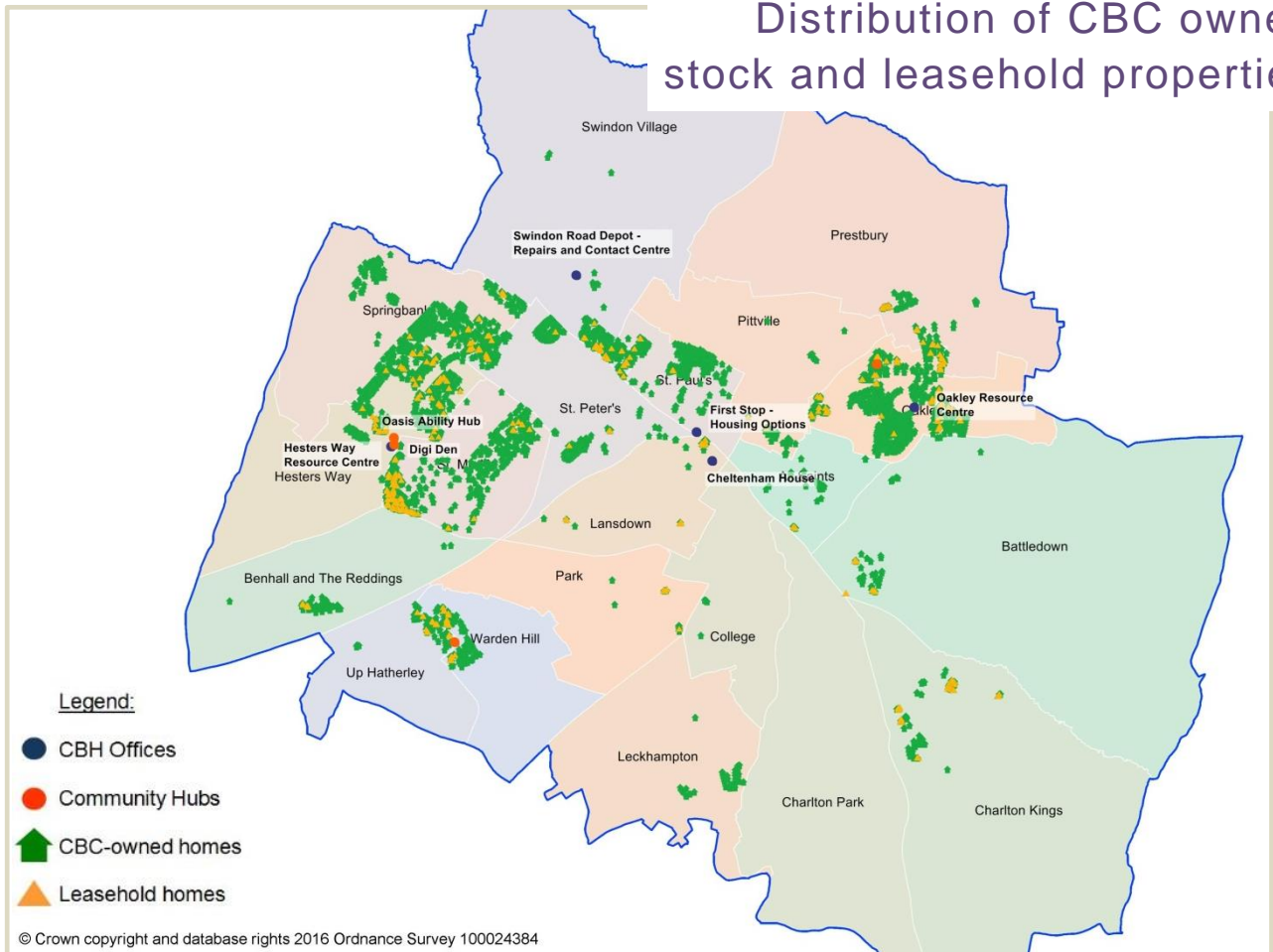
CHEL TENHAM BOROUGH HOMES

*Value for Money in the HRA:
a look behind the numbers*

January 2018

WHO	WHAT	HOW
WE ARE	WE DO	WE SPEND

Distribution of CBC owned stock and leasehold properties



3,989

CBC
owned
homes

Almost 1 in 10 homes
in Cheltenham is
managed by CBH

518

CBC
owned
homes for
older people

473

Leasehold
homes

26

CBC
shared
ownership

730

CBC
owned
garages

ABOUT CBH

We are Cheltenham Borough Council's housing ALMO, set up in 2003 for the not-for-profit management and maintenance of council-owned homes.

A 30 year Management Agreement sets out our relationship with CBC and enables us to have clear plans for the future and to continue fulfilling the aims of the Council's Housing Revenue Account (HRA) Business Plan, which are to:

- ✓ **Maintain homes to a high standard**
- ✓ **Provide value added services to people and communities**
- ✓ **Build new homes**

We successfully manage the HRA budget. We identify the need to spend on homes and services each year, then invest that to deliver repairs and improvements to homes, to provide new homes, and to deliver high quality services to tenants and leaseholders. A recent in-depth survey of tenants shows that overall satisfaction with CBH's services has **increased to 88%** placing CBH among the higher performing social housing providers in England and Wales.

We continue to monitor and manage spend throughout the year and identify efficiency savings that we **re-invest in services or homes**. Our tenants help us to understand what is important to them and in doing so shape the services CBH provides.

Delivering added value

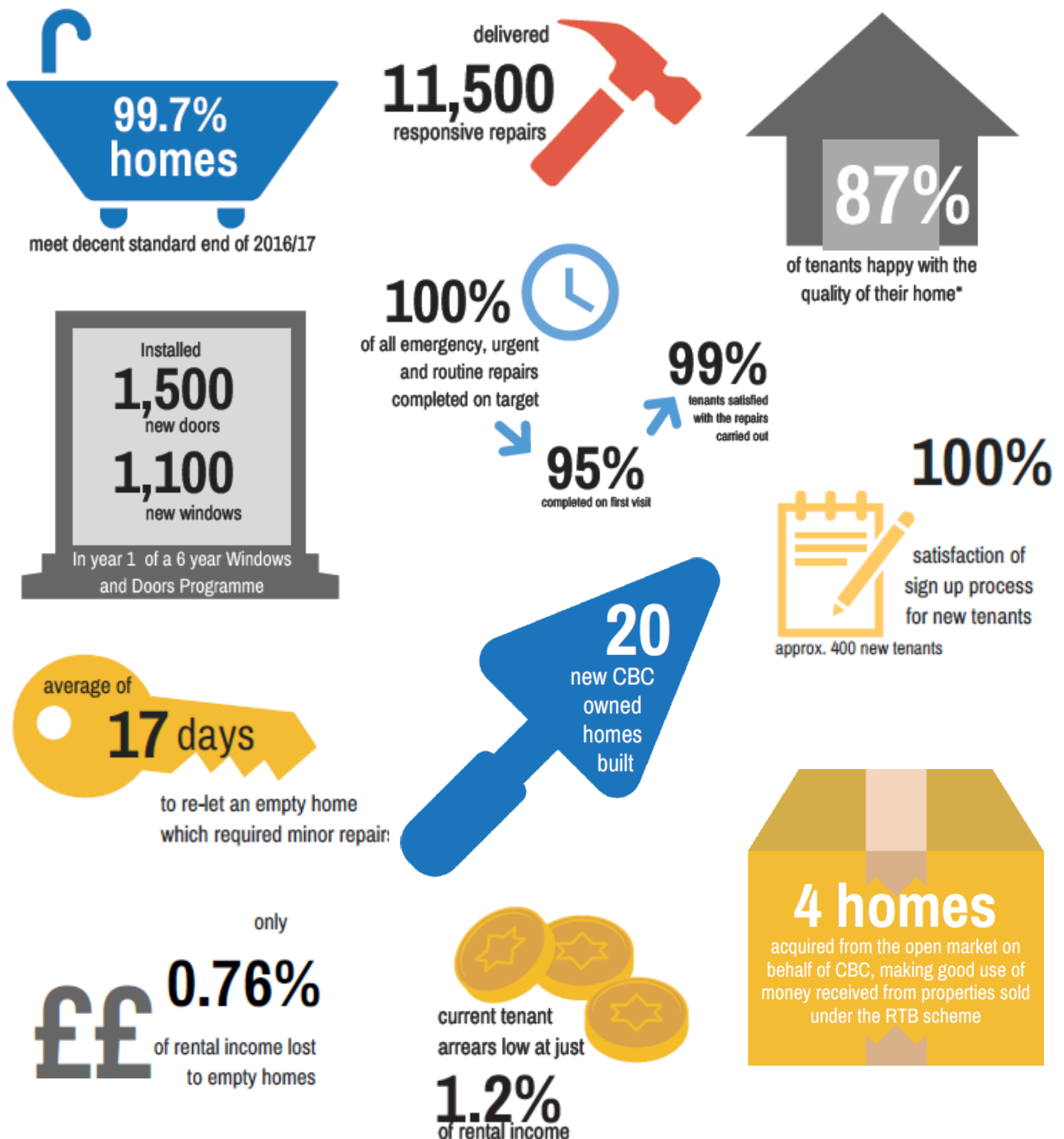
We are a committed and passionate local organisation. We share the Council's vision for Cheltenham to be a 'place where everyone thrives' and support the delivery of the Council's Housing and Homelessness Strategy. CBH makes Cheltenham a better place by providing great homes and building stronger communities. We operate within the most deprived communities across Cheltenham and by understanding what is important, and the local pressures faced, we make use of our skills and knowledge to provide **enhanced services** within the HRA to make a positive difference to people's lives.

CBH is successful because the people that work for us demonstrate **pride, enthusiasm and dedication** in what they do. We have clear plans for the future and a robust approach to achieving value for money (VFM) in the HRA. We are **successfully delivering additional savings over and above those identified in response to the Government's 1% annual rent reductions**, which remain in place until 2020. Our tenants and leaseholders also give their time, energy and commitment to shape our services. We are achieving this at a time of **unprecedented change and challenge** for the social housing sector.

DELIVERING IN THE HRA, 2016/17

The infographics below provide a look behind the numbers in the HRA and show a small selection of achievements highlighting the excellent work that went on in 16/17.

Maintain Homes to a high standard and build new homes

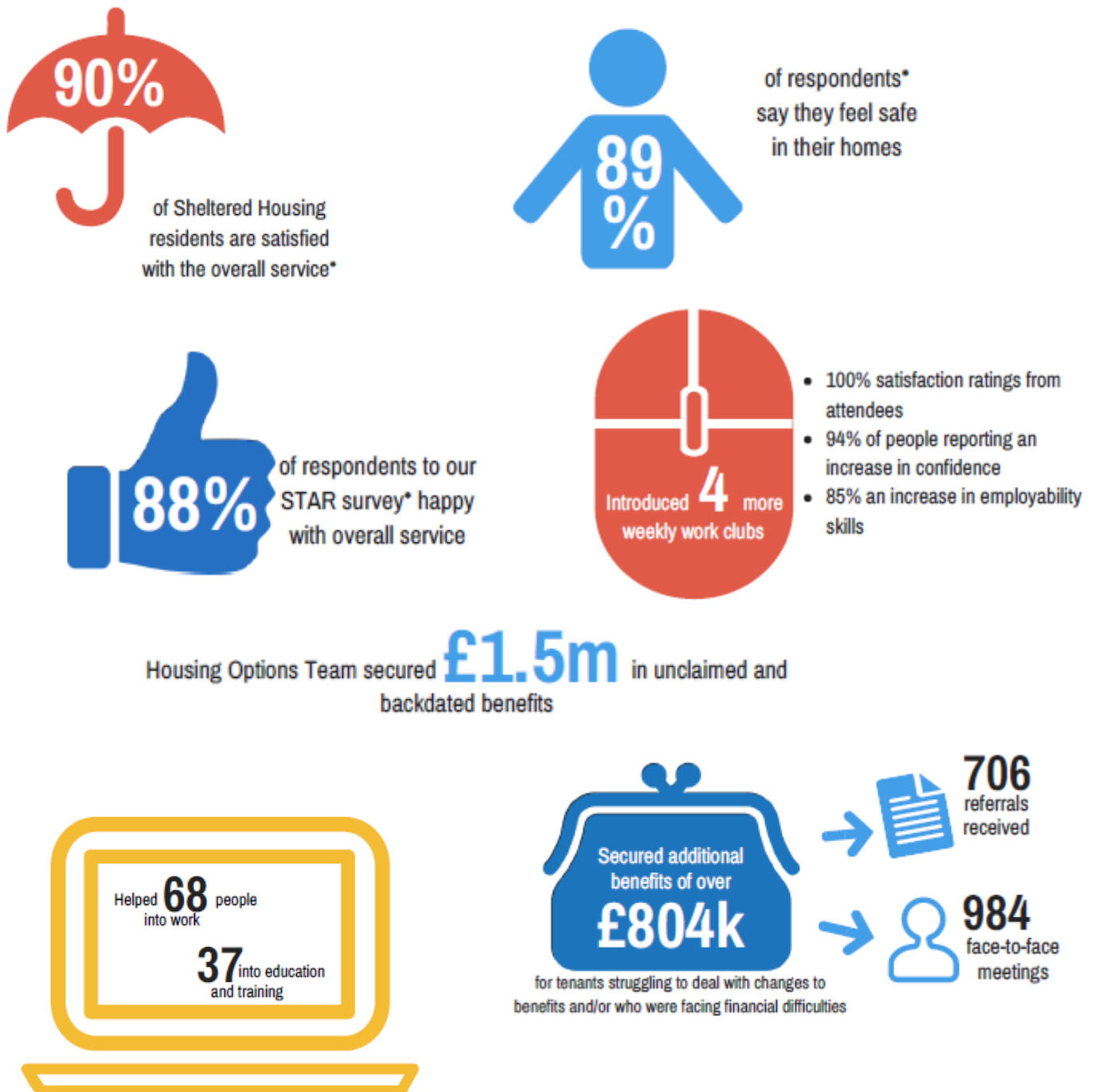


* Taken from comprehensive biennial STAR survey. Just over 1,000 tenants responded – almost ¼ of tenancies.

DELIVERING IN THE HRA, 2016/17

Where appropriate, CBH also delivers more than high quality landlord services: providing people with support and advice in areas that will enable them to improve their quality of life.

Provide value added services to people and communities



* Taken from comprehensive biennial STAR survey. Just over 1,000 tenants responded – almost ¼ of tenancies.

ENSURING VFM IN THE FUTURE

The previous two pages provided an overview of some of the excellent services we are delivering to meet the needs expressed by tenants and leaseholders. In order for us to continue to do this effectively and efficiently, and enhance services further, we have developed a clear **Vision** and three **Aims** for CBH.

Our Vision:

Make Cheltenham a better place to live by providing great homes and stronger communities

Our Aims:



Great Homes



Stronger Communities



Inspired People










At the heart of this is the recognition that to achieve our vision we must look after our CBH colleagues, ensuring that they, in turn, are able to look after our customers. We want employees to feel valued and inspired to 'go the extra mile' for our customers. Our systems and processes will be improved so that we are better able to meet customers' needs and employees are able to work as effectively as possible.

We are clear that achieving good value for money (VFM) is not just concerned with reducing costs; it is about understanding the need to spend and then managing that effectively, to maintain strong core services and continue to achieve positive change and outcomes.

CBH has clear and measurable plans in place setting our priority areas of work, to ensure that we are always improving and seeking to find new and more innovative ways of working. On the following page is a selection of those priority areas of work to 2020, ensuring we achieve our three Aims.







We Aim to provide Great Homes via:

-  **Improving systems** – enhance systems, making it easier for customers to interact with us online
-  **Enabling Asset Modelling** – to make sure we have a clear understanding of the costs involved in maintaining each property and when that cost reaches a point that is financially unsustainable
-  **Completing the ‘Cheltenham West Vision’ regeneration project** – investigating the potential to regenerate an area of Cheltenham to improve quality of life for the people living there
-  **A windows and doors programme** – improving security and energy efficiency across all homes
-  **New supply opportunities** – undertake new ways of bringing more properties into the business to balance out stock lost to Right To Buy & help meet local housing need
-  **A solution for non-traditional build properties** – deliver the strategy to refurbish and extend the life of these property types
-  **Insourcing existing works programmes** – to make best use of the skills we have in-house, improve quality and reduce costs
-  **Service Improvement Programme (SIP)** – to develop & enhance the processes, applications & supporting technologies that enable CBH to deliver efficient & cost effective services into the future
-  **Managing Welfare Reform** – mitigate the effects that ongoing changes to benefits are having on tenants, people in need of social housing and the business






We Aim to build Stronger Communities by:

-  **Supporting community projects and initiatives** - source external funding, resourcing community organisations and harness partner support and capacity
-  **Enhancing our role as a local community builder** - work with partners to deliver locality based community investment
-  **Transitioning from direct delivery** – an overall shift from direct delivery to true partnership working
-  **Promotion of Social Value** – measure the social value we bring to the communities within which we work



We Aim to deliver this with Inspired People via:

-  **Staff Development** – empowering and supporting colleagues to achieve their potential through personal and professional development opportunities so that they are able to ‘go the extra mile’ for our customers
-  **Effective recruitment** – modernise the recruitment and selection process
-  **Values** – live our values because they reflect a culture we all believe in

ENSURING VFM IN THE FUTURE

CBH is responsible for managing the resources of both CBH and the Council's HRA. A key milestone in the delivery of our Vision has been the development of a suite of Key Performance Indicators demonstrating the balance across costs, performance and satisfaction, where costs relate to both CBH and CBC within the HRA.

CBH makes use of an established model to provide a clear understanding of actual Costs per Property (CPP) for the financial year just completed and set challenging targets based on future budgets. The CPP are directly linked to actual spend and budgets at the highest level and, together with challenging targets for levels of performance and satisfaction, enable informed decisions as **CBH delivers the right balance across costs, performance and satisfaction**. Our current VFM suite is included on the following pages, showing position at the end of 2016/17 and the direction of travel through 2017/18 and 2018/19. Commentary is included to provide some context to the numbers, following each table.

Providing Great Homes

Key to RAG colours:

On or better than target Slightly off target Off target

Key VFM Performance Indicators <i>VFM is the right balance between cost per property (CPP), performance and satisfaction</i>	2016-17	2017-18	2018-19
	year-end outturn compared to target (as a RAG)	year-end target (approved)	year-end target (draft)
Direct CPP of Major Works & Cyclical Maintenance	£2,596	£2,395	£2,116
% homes non-decent at end of year	0.46%	0.75%	0.97%
% homes with valid gas safety cert	99.93%	100%	100%
Average SAP rating (09 methodology)	69.67	70.50	70.50
STAR Satisfaction with overall quality of the home	86.56%	88%	89%
No. new build properties handed over	20	9	40
Direct CPP of Responsive Repairs & Void Works	£551	£601	£612
% of Emergency, Urgent and Routine repairs completed within target	99.78%	99%	99%
% tenants satisfied with repairs	99.40%	99%	99%
Direct CPP of Rent Arrears and Collection	£105	£115	£122
Current arrears as % of rental income (excluding court costs)	1.20%	1.85%	2.86%
Rent collected from current & former tenants as % rent due (excluding arrears brought forward)	100.16%	98%	97%
Direct CPP of Lettings	£40	£41	£42
% Rent lost to vacant homes	0.76%	0.71%	0.71%
Ave time taken to re-let minor void CBC properties in days	17.41	17	16.5
Complaints closed at stage 1 - % within agreed timescales	96.3%	96%	96%
No. of complaints per 1000 homes	12.01	13	13
% of contact centre calls answered	91.67%	95%	95%

Major works and Cyclical Maintenance Costs reflect the planned investment needed to ensure stock is maintained to a high standard. It includes the £13m, 6 year programme to deliver new windows and doors to around 5,000 homes; an acceleration of stock surveys to ensure that we have excellent data with which to make the best investment decisions. Costs can appear higher than other providers as CBC's stock is comparatively older, with the majority (around 72%) being built before 1960.

Performance across the range of indicators in the table above remains strong and has improved on the previous year's outturn; targets to 2018/19 set a clear direction of travel. The non-decency target reflects a conscious decision about a small number of non-traditional build properties awaiting options appraisal which will therefore have no decent homes work carried out. Sufficient responsive repairs will still be undertaken. We are developing a strategic approach to dealing with these property types, which includes pre-fabricated and 'Cornish' build properties. Work on the latter is anticipated to begin in 2019. Satisfaction with the quality of the home remains high; this data is obtained by carrying out a regular STAR (Survey of Tenants and Residents) satisfaction survey.

Our new supply programme accounted for 20 new CBC-owned homes in 16/17 with a further 9 planned in 17/18.

Responsive repairs and void works Costs were low in 2016/17 due to reduced demand on the service as a consequence of mild winter weather, plus more efficient ways of working in the responsive repairs team. The 16/17 CPP figure is better than the sector average and future targets reflect prudent budgeting, that takes account of more usual levels of demand and exceptional weather. Customer satisfaction remains very high and target times for repairs are consistently met.



Our responsive repairs service is very important to and highly regarded by tenants: 11,500 responsive repairs were delivered during 2016/17, with ongoing satisfaction levels running at 99%

Rent Arrears and Collection Costs reflect increased resourcing in preparation for the roll out of Universal Credit (UC) across Cheltenham from December 2017. This has been carefully modelled and has enabled strong rent collection and arrears performance in this area. CPP is currently higher than the sector average but investment has also enabled CBH to carry out important work to support people facing financial difficulties, helping them improve their quality of life and maintain their tenancies. Future targets reflect the challenges that will be faced with the roll out of UC, changes to benefit payments and the establishment of new associated processes, which are nationally recognised across the sector. CBH continues to raise awareness of the upcoming changes, having visited all of the 1,800 households expected to be affected and continuing to provide benefit and money advice.

Lettings Costs are slightly higher than the sector average: this area of the business maintains very strong customer satisfaction and performance, with void re-let times and rent loss low. Future targets seek to maintain these levels.

Complaints Performance is strong, reflecting the ease with which customers can make complaints and the effectiveness of the processes dealing with them. Contact centre calls answered is slightly off target but future targets reflect the desire to drive that figure higher. Work to enhance telephony systems will support our ability to achieve this.



Building Stronger Communities

Key VFM Performance Indicators VFM is the right balance between cost per property (CPP), performance and satisfaction	2016-17	2017-18	2018-19
	year-end outturn compared to target (as a RAG)	year-end target (approved)	year-end target (draft)
Direct CPP of ASB	£60	£61	£57
% closed ASB cases that were resolved	98.10%	98%	98%
% satisfied with the way their ASB complaint was dealt with	98.85%	95%	95%
Direct CPP of Resident Involvement	£68	£81	£71
STAR % Customers satisfied CBH listens to their views & acts upon them	66%	69%	70%
Direct CPP of Tenancy Management	£101	£98	£97
Overall Customer satisfaction (%) STAR Survey	86.13%	87%	89%
STAR Satisfaction with value for money of the rent	87.04%	88%	88%
Income generated on behalf of customer year to date	£794,721	£680,000	£680,000

ASB This area demonstrates strong performance and satisfaction, and future targets seek to maintain those levels. Investment in ASB work reflects the importance in which it is held by tenants and means a CPP higher than the sector average. Our ASB work is proactive and preventative, with successful work being carried out with local schools over the year, for example. We also work closely in partnership with the Police, supporting various initiatives in communities and successful crime operations.

Resident Involvement CPP has outperformed the target due to changes to structures at a senior level and a pause on recruitment to vacant posts to enable a review of relevant service areas. A review of the allocation of employee time to this service area also contributed to the reduction in CPP. This cost re-allocation has generated a corresponding rise in tenancy management CPP. Tenants play a big part in shaping the services we deliver and currently almost 10% of our tenants are involved in some way with CBH. We are using the feedback received through our STAR survey inform the re-design of teams and roles to meet the needs of tenants.

Tenancy Management CPP has increased, as mentioned above, missing the target. Overall customer satisfaction with CBH and with the Value for Money for their rent remains high: this data was re-visited during 2017 and remains at 87% for VFM with the rent and has increased to 88% for overall satisfaction, both of these figures place CBH among the top performing housing providers in the sector.




Our annual tenant and leaseholder awards bring people of all ages together to celebrate their achievements and communities

When compared with other providers CPP for both tenancy management and resident involvement is higher than the sector average. The decision to continue to invest appropriately in supporting strong communities through neighbourhood and community management and involving residents enables us to support wider local agendas which CBH is well placed to help deliver.

Key VFM Performance Indicators VFM is the right balance between cost per property (CPP), performance and satisfaction	2016-17	2017-18	2018-19
	year-end outturn compared to target (as a RAG)	year-end target (approved)	year-end target (draft)
Average number of working days lost to total sickness	9.64	8	8
Percentage of staff satisfied with your organisation as an employer	63.87%	75%	82%


Employee satisfaction levels with 'CBH as an employer' are regularly sourced. This point in time survey was carried out during a period of change and uncertainty and followed a full review of pay structures, as part of our 'pay harmonisation' project. Since then our 'People Strategy' has been developed with employees; it aims to make CBH a great place to work and to create an environment where colleagues feel supported and empowered to make things happen for both colleagues and customers alike. The future target reflects the confidence that this figure will rise when the question is next asked.

Creating an environment where colleagues are encouraged to **go the extra mile** will inspire and enable staff to continue to deliver great new projects which truly improve the lives of our customers. Examples of such projects include:

 The **hugely successful 'Hamper Scamper' appeal**, which aims to buy gifts for children living within disadvantaged households across Gloucestershire. This year we took on the challenge of providing the pupils of St Thomas Moore School and some of their siblings, gifts for Christmas. The school is located in Hester's Way and the overall appeal raised 2,700 gifts for disadvantaged children of which **our employees contributed almost 300, 11% of the total gifts donated**. CBH employees also donated enough food to produce 20 food hampers for the appeal that went alongside gifts donated to those families in particular need.



Hamper Scamper - The Gift Tag scheme buys gifts for children in disadvantaged homes, CBH employees contributed 300 gifts, 11% of the county total of 2,700

 Our 'Alternative Provision Scheme' (APP) was a 6 month project to help **inspire a group of young people from All Saints Academy** to stay in mainstream education. The pupils gained experience in a number of areas, from regenerating community gardens, developing first aid skills, working with Crimestoppers on the dangers of knife carrying to working in our repairs' and contractors' teams. This gave them a first-hand chance to experience the types of careers that they could pursue in the future. The feedback we received was fantastic and we hope to carry out this type of project again.



Our 'Alternative Provision Programme' has helped inspire a group of young people from All Saints Academy to stay in mainstream education

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