



## **Notice of a meeting of Cabinet**

**Tuesday, 18 December 2018**

**6.00 pm**

**Municipal Offices, Promenade, Cheltenham, GL50 9SA**

<b>Membership</b>	
<b>Councillors:</b>	Steve Jordan, Flo Clucas, Chris Coleman, Rowena Hay, Alex Hegenbarth, Peter Jeffries and Andrew McKinlay

## **Agenda**

<b>8.</b>		<b>HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL-REVISED BUDGET 2018/19 AND INTERIM BUDGET PROPOSALS 2019/20 FOR CONSULTATION</b> Report of the Cabinet Member Finance- to follow	(Pages 3 - 20)
<b>9.</b>		<b>GENERAL FUND REVENUE AND CAPITAL-INTERIM BUDGET PROPOSALS 2019/20 FOR CONSULTATION</b> Report of the Cabinet Member Finance- to follow	(Pages 21 - 52)

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## Cheltenham Borough Council

**Cabinet – 18<sup>th</sup> December 2018**

### **Housing Revenue Account - Revised Forecast 2018/19 and Interim Budget Proposals 2019/20 for Consultation**

<b>Accountable member</b>	Cabinet Member for Finance, Rowena Hay
<b>Accountable officer</b>	Executive Director Finance and Assets, Paul Jones
<b>Ward(s) affected</b>	All
<b>Key Decision</b>	Yes
<b>Executive summary</b>	This report summarises the Housing Revenue Account (HRA) revised forecast for 2018/19 and the Cabinet's interim budget proposals for 2019/20 for consultation.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Note the revised HRA forecast for 2018/19.</li> <li>2. Approve the interim HRA budget proposals for 2019/20 (shown at Appendix 2) for consultation including a proposed rent decrease of 1% and changes to other rents and charges as detailed within the report.</li> <li>3. Approve the proposed HRA capital programme for 2019/20 as shown at Appendix 3.</li> <li>4. Delegate authority to the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.</li> <li>5. Seek consultation responses by 31<sup>st</sup> January 2019.</li> </ol>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer:</b> Paul Jones.</p> <p><b>E-mail:</b> <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a></p> <p><b>Tel no:</b> 01242 264365</p>
<b>Legal implications</b>	<p>None specific arising from the report recommendations.</p> <p><b>Contact officer:</b> Peter Lewis</p> <p><b>E-mail:</b> <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a></p> <p><b>Tel no:</b> 01684 272012</p>

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

## 1. Introduction

- 1.1 The Council's Constitution requires that the Cabinet prepare an interim budget for consultation before it makes recommendations to full Council in February 2019. The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation period, and its report to Council in February 2019 should reflect the Cabinet's response to such comments.

## 2. Background

- 2.1 The Council has previously approved a four year plan to mitigate the estimated loss of £6.7m in rent income during the four year period from April 2016 to March 2020, following the introduction of the Government's rent reduction policy (reducing rents by 1% per annum each year). The plan demonstrated a balanced approach requiring CBH management and maintenance savings, a re-alignment of the capital programme and the use of revenue reserves.
- 2.2 There have been significant changes in Government Housing Policy during the year, most notably the abolition of the HRA debt cap. This, together with the certainty on rent policy until 2025 which was announced 12 months ago, will have a positive impact on HRA resources enabling the Council to increase investment in new build and stock improvements. Further detail is provided below.

## 3. Update on Housing Policy

### 3.1 Rent Reduction

Rents will again be reduced by 1% in April 2019 being the final year of the four year policy that commenced in April 2016 and will finish in March 2020. The Government has previously 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 in December 2017. There are currently 555 claimants (November 2018) with 800 being anticipated by March 2019. Under present regulations there could eventually be up to 2,000 claimants, 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 had previously committed to extending Right to Buy to tenants in Housing Associations. The Government's original 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.

Although a pilot scheme is being trialled in the West Midlands, the Government has now confirmed that local authorities will not be required to finance this policy.

### 3.4 Right to Buy Receipts

The Government published a consultation paper in the summer which sought views on introducing more flexibility in the use of RTB receipts to fund new build. Though any relaxation in the conditions of use would be welcome, the suggestions put forward in the document would be limited in their impact and the sector response has been to request more wide ranging reform, including the abolition of RTB. The consultation closed in early October and the Government's response is awaited.

### 3.5 Abolition of the HRA Debt Cap

The Government has recently lifted HRA borrowing restrictions, abolishing the debt cap and leaving the level of borrowing to be controlled by the prudential code. This should allow a significant increase in the new build programme subject to the identification of appropriate sites and financial viability.

## 4. HRA Business Plan – Financial Projections

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

- Anticipated revenue outturn for 2018/19.
- The current development programme for the period from April 2019 to March 2022 which will deliver 105 new build units at a total cost of £14.83m.
- Contingency budgets for market acquisitions and the purchase of new affordable units on sites where Section 106 planning agreements are in place.
- A refreshed assessment of the 30 year "need to spend" on existing stock for both capital and revenue expenditure. This includes a new showers programme which has been identified as one of the most popular improvements requested during both the 2017 survey of tenants and residents and the voids review undertaken by the tenant services improvement panel (see further detail in paragraph 9.3).

### 4.2 The plan uses the following key assumptions:-

- CPI at 2% p.a. from April 2019
- Stock sales through RTB at 30 p.a. to March 2022 then reducing to 20 p.a. thereafter
- Rents reducing by 1% in 19/20 then 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, capital receipts and revenue contributions from reserves. Further capacity is now available following the abolition of the debt cap.

## 5. 2018/19 Revised Forecast

- 5.1 The forecast at Appendix 2 shows an increase in the operating surplus of £106,500 compared to the original budget. Significant variations (greater than £30,000) within the 2018/19 revised forecast have been identified in budget monitoring reports and are summarised below:-

Budget Heading	Change in resources
	£
General & Special Management – additional cost of IT licences and legal recharges	-47,200
Rent Income - additional income from earlier completion of new build properties and acquisition of stock	36,000
Interest Receivable – higher than anticipated reserves and a higher interest rate	109,700
Other net variations	11,500
<b>Increase in Operating Surplus (compared to budget)</b>	<b>110,000</b>

- 5.2 The reduction in the use of revenue contributions to fund the capital programme (£1,621,100) arises from:-
- Capital expenditure lower than anticipated – stock acquisitions are expected to total £933,000 in year against a contingency budget of £2m. It is proposed that the unspent balance will be rolled forward to 2019/20.
  - The availability of additional capital receipts from in year asset sales.
- 5.3 Revenue reserves are now estimated at £8,431,300 (previously £5,734,500) at 31<sup>st</sup> March 2019, reflecting a higher balance brought forward from 2017/18, the increase in the operating surplus and the reduction in revenue contributions to capital.

## 6. 2019/20 Budget Proposal

- 6.1 All rents will decrease by a further 1% in April 2019. The rent estimates assume a 0.8% void rate and 30 RTB sales in the year and also reflect additional income from new build and acquired properties.
- 6.2 Estimates of service charge income currently assume:-
- Increase of 2% for cleaning services supplied by CBH
  - Overall charges for power to communal areas will be held at 2017/18 levels (under a 3 year fixed tariff deal until March 2020).

- 6.3 A new agreement for the HRA grounds maintenance work undertaken by Ubico is being finalised and will commence in April 2019 subject to Cabinet approval. There has been a comprehensive review of the areas maintained and the nature of work carried out. This will lead to some volatility in service charges to tenants and leaseholders. Those facing an increase in charges will be protected by transitional arrangements with increases being phased in over three years.
- 6.4 It is proposed that garage rents are increased by 3% from April 2019 in line with the Retail Price Index.
- 6.5 Significant changes to the HRA (greater than £30,000) in 2019/20 as compared to the revised forecast for 2018/19 are itemised in the table below. There is a reduction of £700,600 in the operating surplus for the year when compared with the 2018/19 forecast.

Budget Heading	Change in resources
	£
Increase in bad debt provision – impact of welfare reform	-34,000
Increase in CBH management fee (see paragraph 7.2 below)	-150,000
General & Special Management – additional recharges from Council Departments	-63,100
Increase in Repairs & Maintenance - pay award and other inflation	-86,700
Depreciation – reflects change to stock numbers and inflation on replacement components	-69,200
Decrease in rents - rent reduction & net stock loss	-225,900
Interest receivable – lower reserves	-67,100
Other net variations	-20,800
<b>Decrease in Operating Surplus (compared to 2018/19)</b>	<b>-716,800</b>

- 6.6 Revenue contributions totalling £8,436,600 will be required to fund capital expenditure in the year, reducing revenue reserves to £1,568,100 at 31<sup>st</sup> March 2020.
- 6.7 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. If anticipated payments are at a level which could match or even exceed Government funding, MHCLG 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 MHCLG for a specific accounting direction. The level of payments continues to be monitored and the Executive Director, Finance and Assets has delegated authority to apply for such a direction if it appears probable that the annual allocation will be exceeded in any financial year. The draft HRA budget does not yet include any provision for such expenditure.

## 7. Cheltenham Borough Homes (CBH)

- 7.1 The draft budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2019/20, which show a breakeven position on services provided to the Council.
- 7.2 The proposed management fee for 2019/20 (£5,294,000) is the sum forecast in the budget presented to Council in February 2018 plus an additional sum of £35,000 to fund the replacement of IT equipment previously financed by the HRA. The fee includes the cost of the agreed pay award of 2% in April 2019.

- 7.3 The HRA repair and maintenance budget for 2019/20 (£3,868,100) is also in line with projections within the four year plan and reflects cost increases from the pay award whilst also partly absorbing inflation on transport, materials and sub-contractors.
- 7.4 The cost of delivering the estate cleaning contract (£356,000) has risen by 4% which includes the anticipated cost of the pay award and additional services to communal areas (window cleaning and lighting checks).

### 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 has been undertaken and work is well advanced to implement new systems with an anticipated “go live” date in the summer of 2019.
  - **Reactive repairs** – further efficiencies are anticipated from insourcing opportunities for fire protection works, aids and adaptations and delivery of the new showers programme, 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 with delivery to commence in 2019/20.
  - **Cheltenham West regeneration (Masterplan)** – this Government funded project was completed in 2018 with the final report setting out a potential regeneration programme for the area. This envisages 3 phases of delivery over a 20 year period. There is an ongoing review of potential funding mechanisms to finance the programme.
  - **New supply** – Council approval of the Housing Investment Plan in October 2018 will enable CBH to build/acquire units both for market and affordable rent whilst also continuing to manage the delivery of new stock within the HRA. Significant additional resources, in excess of £200,000, have been set aside to provide project management and development expertise to support the delivery of these ambitious programmes.
  - **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 rollout of UC.
  - **Accommodation strategy** – CBH is continuing to review opportunities to rationalise office accommodation to support more effective working practices and reduce future overhead costs.

### 9. Capital Programme

- 9.1 The revised capital programme for 2018/19 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 2019/20 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 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 new showers programme. All new build properties are being fitted with a shower. Currently approximately 2,500 homes have either an over bath shower or shower cubicle/wet room leaving a further 2,000 homes without such a facility. The programme will fit over bath showers to these properties over a period of 10 years at a total cost of £2.4m. This expenditure and the subsequent cost of maintenance and renewal will total £7.7m over 30 years, which can be accommodated within the business plan.
- A provision of £2m to fund the refurbishment of Cornish properties commencing in 2019.

9.4 Appendix 4 also gives estimates for expenditure on new build and acquisitions in the period to 31st March 2022. The annual budgets for new build only include cost estimates for schemes currently being progressed. It is estimated these schemes will deliver a further 105 units. It is anticipated that additional schemes will be brought forward during the period as new sites are identified. There are also contingency budgets for market acquisitions and the purchase of new affordable units on sites where Section 106 planning agreements are in place.

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 also 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. Further borrowing will be required in 2020/21 and 2021/22.

## 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 £1.5m at 31st March 2022.

## 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

11.2 The end of rent reduction, certainty on rent policy for 5 years and the lifting of the debt cap all strengthen HRA viability and give additional capacity to invest in both the existing stock (e.g. the new showers programme) and new build. Prudential borrowing rules will now govern the scale of borrowing that the HRA can undertake.

11.3 The budget provides additional resources to support a significant increase in the pace and scale of new supply within the HRA. This will complement the resources also made available to CBH through the Housing Investment Plan to deliver new market rented units.

## 12. Consultation process

12.1 The Council is proposing to consult on these budget proposals during the period to 31st January 2019. The extended period will allow CBH to respond at their January Board meeting. The results from this consultation will be fed back to the Cabinet and taken into account in the formulation of the final budget proposals.

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

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

<b>Report author</b>	<b>Steve Slater, Executive Director (Finance and Resources), Cheltenham Borough Homes</b>  <b>Tel. 01242 387539;</b>  <b><i>e-mail address steve.slater@cbh.org</i></b>
<b>Appendices</b>	1. Risk Assessment (to follow)  2. HRA Operating Account  3. Major Repairs Reserve and HRA Capital Programme (summary)  4. HRA Capital Programme (detail)
<b>Background information</b>	1. HRA 30 year Business Plan  2. CBH Budgets and Plans 2019/20



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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If CBH are unable to deliver savings to offset lower income as a consequence of 4 year rent reductions	Tim Atkins	December 2015	5	1	5	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	
1.02	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 2020	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 levels monitored.	Mar 2020	CBH through management agreement	
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 2020	CBH through management agreement	
1.06	If there is insufficient capacity to deliver the ambitious programme of	Tim Atkins	December 2012	2	3	6	R	The HRA budget includes specific resources to address capital	Mar 2020	CBH through management agreement	

	building works then the programme may not be deliverable							programme works.			
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 2020	CBC/CBH via the Operational Working Group	

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**HRA OPERATING ACCOUNT**

	2018/19		2019/20	2020/21	2021/22
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
<b><u>EXPENDITURE</u></b>					
General & Special Management	2,194,600	2,241,800	2,304,900	2,133,400	2,185,500
ALMO Management Fee	5,144,000	5,144,000	5,294,000	5,399,900	5,507,900
Rents, Rates, Taxes and Other Charges	49,000	49,000	49,000	49,000	49,000
Repairs & Maintenance	3,781,400	3,781,400	3,868,100	3,964,800	4,063,900
Provision for Bad Debts	296,000	296,000	330,000	380,000	394,000
Interest Payable	1,684,700	1,684,700	1,684,700	1,782,200	1,905,600
Depreciation of Dwellings	4,465,100	4,460,900	4,533,900	4,601,900	4,731,900
Depreciation of Other Assets	296,200	295,300	291,500	293,100	294,700
Debt Management Expenses	81,600	81,600	83,200	84,900	86,600
<b>TOTAL</b>	<b>17,992,600</b>	<b>18,034,700</b>	<b>18,439,300</b>	<b>18,689,200</b>	<b>19,219,100</b>
<b><u>INCOME</u></b>					
Dwelling Rents	18,530,300	18,566,300	18,340,400	18,979,100	19,719,700
Non Dwelling Rents	460,500	479,900	484,300	490,400	496,800
Charges for Services and Facilities	855,700	843,100	857,500	896,900	931,400
Supporting People Grant	28,800	35,000	-	-	-
Feed in Tariff from PV Installations	238,600	232,000	229,000	235,800	242,900
<b>TOTAL</b>	<b>20,113,900</b>	<b>20,156,300</b>	<b>19,911,200</b>	<b>20,602,200</b>	<b>21,390,800</b>
<b>NET INCOME FROM SERVICES</b>	<b>2,121,300</b>	<b>2,121,600</b>	<b>1,471,900</b>	<b>1,913,000</b>	<b>2,171,700</b>
Interest Receivable	58,900	168,600	101,500	31,100	30,400
<b>NET OPERATING SURPLUS</b>	<b>2,180,200</b>	<b>2,290,200</b>	<b>1,573,400</b>	<b>1,944,100</b>	<b>2,202,100</b>
<b><u>Appropriations</u></b>					
Revenue Contributions to Capital	-4,081,500	-2,460,400	-8,436,600	-2,012,200	-2,202,100
<b>Net Increase/(Decrease) in reserves</b>	<b>-1,901,300</b>	<b>-170,200</b>	<b>-6,863,200</b>	<b>-68,100</b>	<b>-</b>
<b>Revenue Reserve brought forward</b>	<b>7,635,800</b>	<b>8,601,500</b>	<b>8,431,300</b>	<b>1,568,100</b>	<b>1,500,000</b>
<b>Revenue Reserve carried forward</b>	<b>5,734,500</b>	<b>8,431,300</b>	<b>1,568,100</b>	<b>1,500,000</b>	<b>1,500,000</b>

<b>Average Social Rent:-</b>				
<b>Decrease/Increase 1st April</b>		<b>-1.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>48 wk</b>	<b>86.59</b>	<b>85.72</b>	<b>88.29</b>	<b>90.94</b>
<b>52 wk</b>	<b>79.93</b>	<b>79.13</b>	<b>81.50</b>	<b>83.94</b>
<b>Average stock</b>	<b>4,414</b>	<b>4,389</b>	<b>4,359</b>	<b>4,329</b>

<b>Average Affordable Rent:-</b>				
<b>Decrease/Increase 1st April</b>		<b>-1.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>48 wk</b>	<b>129.30</b>	<b>134.83</b>	<b>130.30</b>	<b>134.76</b>
<b>52 wk</b>	<b>119.36</b>	<b>124.46</b>	<b>120.28</b>	<b>124.39</b>
<b>(nb average rents also reflect changes to stock mix following new build completions)</b>				
<b>Average stock</b>	<b>45</b>	<b>56</b>	<b>95</b>	<b>141</b>

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**MAJOR REPAIRS RESERVE**

	<b>2018/19</b>		<b>2019/20</b>	<b>2020/21 2021/22</b>	
	<b>Original</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Projections</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance brought forward	-	-	-	-	-
Depreciation of Dwellings	4,465,100	4,460,900	4,533,900	4,601,900	4,731,900
Depreciation of Other Assets	296,200	295,300	291,500	293,100	294,700
	<u>4,761,300</u>	<u>4,756,200</u>	<u>4,825,400</u>	<u>4,895,000</u>	<u>5,026,600</u>
Utilised to fund Capital Programme	-4,761,300	-4,756,200	-4,825,400	-4,895,000	-5,026,600
Balance carried forward	-	-	-	-	-

**HRA CAPITAL PROGRAMME**

	<b>2018/19</b>		<b>2019/20</b>	<b>2020/21 2021/22</b>	
	<b>Original</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Projections</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>EXPENDITURE</u></b>					
<b>EXISTING STOCK</b>					
Property Improvements & Major Repairs	7,069,800	7,320,600	8,064,000	9,429,600	7,311,400
Adaptations for the Disabled	350,000	400,000	400,000	400,000	400,000
Environmental Works (Tenant Selection)	10,000	10,000	10,000	10,000	10,000
Repurchase of Shared Ownership Dwellings	50,000	50,000	50,000	50,000	50,000
	<u>7,479,800</u>	<u>7,780,600</u>	<u>8,524,000</u>	<u>9,889,600</u>	<u>7,771,400</u>
<b>NEW BUILD &amp; ACQUISITIONS</b>	<b>3,500,000</b>	<b>2,402,000</b>	<b>7,631,000</b>	<b>6,423,000</b>	<b>3,096,000</b>
<b>TOTAL</b>	<u><b>10,979,800</b></u>	<u><b>10,182,600</b></u>	<u><b>16,155,000</b></u>	<u><b>16,312,600</b></u>	<u><b>10,867,400</b></u>
<b><u>FINANCING</u></b>					
Capital Receipts	1,837,000	2,666,000	2,593,000	2,606,000	1,608,000
HRA Revenue Contribution	4,081,500	2,460,400	8,436,600	2,012,200	2,202,100
Leaseholder Recharges	300,000	300,000	300,000	300,000	300,000
Major Repairs Reserve	4,761,300	4,756,200	4,825,400	4,895,000	5,026,600
Borrowing				6,499,400	1,730,700
<b>TOTAL</b>	<u><b>10,979,800</b></u>	<u><b>10,182,600</b></u>	<u><b>16,155,000</b></u>	<u><b>16,312,600</b></u>	<u><b>10,867,400</b></u>

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PROPERTY IMPROVEMENT & MAJOR WORKS				
Description of works	2018/19	2019/20	2020/21	2021/22
EXTERNAL IMPROVEMENTS	400,100	739,800	1,255,900	1,144,600
INTERNAL IMPROVEMENTS	372,900	826,600	1,092,600	1,037,200
PATHS, FENCES & WALLS	371,000	246,700	246,700	246,700
WORKS TO BUILDING FABRIC	-	-	-	-
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	75,000	95,000	80,000	-
RENEWAL OF HEATING SYSTEMS	934,000	900,900	1,087,900	1,134,100
MAJOR REFURBISHMENTS TO VOID PROPERTIES	653,000	660,000	560,000	560,000
WINDOWS & DOORS	2,425,000	2,118,200	1,574,300	1,588,300
ASBESTOS	190,000	190,000	190,000	190,000
SHELTERED ACCOMMODATION	58,000	80,000	80,000	50,000
DOOR ENTRY SCHEMES	34,500	116,800	269,000	133,600
STRUCTURAL WORKS	30,000	50,000	50,000	50,000
COMMUNAL LIGHTING	1,003,100	199,000	224,900	134,500
FIRE PROTECTION	105,000	79,000	95,000	78,000
LIFTS	20,000	15,000	135,000	15,000
NON TRADITIONAL HOMES		1,000,000	1,000,000	
GARAGE IMPROVEMENTS		25,000	25,000	25,000
WARDEN CALL UPGRADE		30,000	500,000	
FEE FOR MANAGING PROGRAMME	649,000	692,000	709,300	727,000
CONTINGENCY			254,000	197,400
<b>TOTAL BUDGET FOR EXISTING PROPERTIES</b>	<b>7,320,600</b>	<b>8,064,000</b>	<b>9,429,600</b>	<b>7,311,400</b>

NEW BUILD & ACQUISITIONS				
	2018/19	2019/20	2020/21	2021/22
<b>COUNCIL APPROVED</b>				
GARAGE SITES 2D	965,400			
MARKET PURCHASE	933,000	1,067,000		
S106 ACQUISITIONS		1,250,000		
<b>SCHEMES SUBJECT TO TENDER &amp; COUNCIL APPROVAL</b>				
CURRENT ESTIMATE FOR PIPELINE SCHEMES	503,600	5,314,000	6,423,000	3,096,000
<b>TOTAL ESTIMATE FOR NEW BUILD &amp; ACQUISITIONS</b>	<b>2,402,000</b>	<b>7,631,000</b>	<b>6,423,000</b>	<b>3,096,000</b>

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## Cheltenham Borough Council

Cabinet – 18<sup>th</sup> December 2018

### General Fund Revenue and Capital - Interim Budget Proposals 2019/20 for Consultation

<b>Accountable member</b>	<b>Cabinet Member for Finance, Councillor Rowena Hay</b>
<b>Accountable officer</b>	<b>Paul Jones, Executive Director Finance and Assets (Section 151 Officer)</b>
<b>Accountable scrutiny committee</b>	<b>Overview and Scrutiny Committee and Budget Scrutiny Working Group</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<b>This report sets out the Cabinet's interim budget proposals for 2019/20 for consultation. The budget projections have been prepared before the local government finance settlement consultation was released on 13<sup>th</sup> December. The government had intended to announce the provisional settlement for local authorities on Thursday, 6<sup>th</sup> December, but it was delayed as a result of the detailed negotiations taking place on Brexit.</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £209.08 for the year 2019/20 based on a band D property (an increase of 2.99%).</b></li> <li><b>2. Note the Medium Term Financial Strategy (MTFS) projection, outlined in section 3 and Appendix 3.</b></li> <li><b>3. Approve the growth proposals, including one off initiatives at Appendix 4, for consultation.</b></li> <li><b>4. Approve the proposed capital programme at Appendix 6, as outlined in Section 6.</b></li> <li><b>5. Delegate authority to the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for public consultation which will include any changes arising from the provisional settlement.</b></li> <li><b>6. Seek consultation responses by 25<sup>th</sup> January 2019.</b></li> </ol>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail:</b> paul.jones@cheltenham.gov.uk</p> <p><b>Tel no: 01242 264365</b></p>
<b>Legal implications</b>	<p>This report proposes an interim budget for consultation purposes and there are no specific legal implications at this stage.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail:</b> peter.lewis@tewkesbury.gov.uk</p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>Relationships with the two recognised trade unions continue to remain very positive. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impacts on employees as a result of realisation of budget savings are kept to a minimum.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail:</b> julie.mccarthy@publicagroup.uk</p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	<p>As outlined in Appendix 1</p>
<b>Corporate and community plan Implications</b>	<p>The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.</p>
<b>Environmental and climate change implications</b>	<p>The draft budget contains a number of proposals for improving the local environment, as set out in this report.</p>

## **1. Background**

- 1.1** In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2019. This report sets out the interim proposals for 2019/20.
- 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 75% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.

## **2. Settlement Funding Assessment**

- 2.1** The Government delayed the announcement of the provisional local government finance settlement 2019/20. It had been scheduled for 6<sup>th</sup> December 2018 but was delayed because parliamentary attention was focussed on Brexit and the "meaningful vote" which was scheduled to take place on 11<sup>th</sup> December. The actual settlement was announced on 13<sup>th</sup> December which officers are currently in the process of analysing.
- 2.2** As a direct consequence of the above, the assumptions within the interim budget proposals are based on the technical consultation on the local government finance settlement for 2019/20 which was released by the Ministry of Housing, Communities and Local Government (MHCLG) on 24<sup>th</sup> July 2018.
- 2.3** The headlines from that consultation were:
- Confirmation of the 4 year offer as set out in 2016/17;
  - Under the council tax referendum principles, the flexibility to increase council tax by the greater of up to 3% or £5 based on a Band D property;
  - A proposal to remove negative Revenue Support Grant (RSG) in full via the governments share of business rates receipts;
  - Proposals to increase the baseline target for New Homes Bonus (NHB) which is currently 0.4%;
  - An invitation to bid for a pilot programme for 75% business rates retention for 2019/20
- 2.4** The Council's Medium Term Financial Strategy (MTFS) is already predicated on the basis that council tax will increase by 2.99% per annum.
- 2.5** The removal of negative RSG would equate to an increase in funding of c. £390k in 2019/20. MHCLG put forward a range of options in the technical consultation paper for dealing with negative RSG. The preferred option is to "directly eliminate" negative RSG via forgone business rates receipts. In other words, to make negative RSG go away by not making the tariff adjustment. This is the approach that we expected the Government to announce in the provisional settlement and the interim budget proposals are presented with that assumption.
- 2.6** It was confirmed in the technical consultation that NHB will continue into 2019/20 in its current form. The overall payments from the scheme will be capped at £900m and the Government will use the national baseline (or deadweight) to manage the cost of the scheme which is currently set at 0.4%. This current baseline target ensures that no NHB is paid to this council for the first 206 additional homes delivered.
- 2.7** The projections for additional new homes in the Borough were estimated to be 350 per annum

and this figure is used to calculate the New Homes Bonus. The actual number delivered over the last 12 months was an additional 368 new homes for occupation. With a baseline target of 0.4% this means we would only receive NHB for 162 additional new homes.

- 2.8** However an increase in the baseline target for NHB could negate this benefit. An increase to 0.6% would reduce our funding by c. £100k whereas an increase to 0.8% would equate to a reduction of c. £200k and effectively mean no additional NHB is received in 2019/20 despite the fact that Cheltenham delivered an additional 368 new homes for occupation over the last 12 months.
- 2.9** Modelling based on the 2018 CTB1 forms submitted, estimate that the overall cost of the scheme would be £915m, only marginally higher than the £900m budget which supports a fair chance that the national baseline will stay at 0.4%. The interim budget proposals, however, assume no additional NHB will be paid in 2019/20 in order for the proposals to be both robust and prudent.
- 2.10** District Councils are concerned that decisions relating to the New Homes Bonus scheme continue to be made only a few months before the start of the new financial year therefore impacting on the ability for district councils to understand the impact on their budgets. This runs contrary to the stated aim of 4 year settlements which was to reduce this uncertainty.
- 2.11** The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.
- 2.12** 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 1.4% in 2019/20 which is significantly less than expected due to the anticipated removal of negative RSG.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	1.273	0.544	0.102	0.000
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.796
<b>Settlement Funding Assessment</b>	<b>3.873</b>	<b>3.197</b>	<b>2.835</b>	<b>2.796</b>
Actual cash (decrease) over previous year	(0.816)	(0.676)	(0.362)	(0.039)
% cash cut	(17.4%)	(17.5%)	(11.3%)	(1.4%)

- 2.13** 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.

## **Retained Business Rates**

- 2.14** In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.
- 2.15** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 2.16** 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.
- 2.17** 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 significantly above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 2.18** Taking the above into account, it is the opinion of the Section 151 Officer that this Council will benefit from remaining in the pool in 2019/20 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements. For information, Cheltenham's additional share of the pool surplus in 2017/18 was £475,341.
- 2.19** Furthermore, the Government is committed to continuing to give local authorities greater control over the money they raise locally. It is in this context that the Government has announced its continuation for piloting business rates retention with a new pilot programme for 75% business rates retention in 2019/20.
- 2.20** Members will recall that Gloucestershire's bid was successful to pilot 100% business rates retention in 2018/19 and indications announced at the time were that this was worth circa £9.2m to Gloucestershire as a whole.
- 2.21** Under the current pilot arrangement, 100% of growth is shared locally, with 30% going to the District's, 50% to the County Council and 20% to the Strategic Economic Development Fund. Current projections suggest that the overall pilot gain in 2018/19 is now circa £14m. After allowing for the creation of a £1.4m 'risk reserve', the benefit to Cheltenham Borough Council is estimated to be circa £640k and Council approved that this would be ring-fenced to fund one-off economic growth initiatives specific to Cheltenham. As the pilot does not form part of the settlement funding assessment for Cheltenham Borough Council and was only for one year, this additional income has not been built into future base budget estimates.
- 2.22** The Ministry of Housing, Communities and Local Government (MHCLG) issued a technical consultation paper on 24th July 2018 on the 2019/20 Local Government Finance Settlement. This included information on business rates pilots for 2019/20.
- 2.23** The existing 100% business rates pilot will end on 31st March 2019. Gloucestershire, alongside all other authorities in England, were able to make an application to MHCLG to pilot 75% business rates retention in 2019/20. Any proposal for a pilot must have been received by MHCLG no later than 25th September 2018.
- 2.24** The main change from the 100% pilot is that the local share will reduce from 100% to 75%, largely because the national scheme from 2020/21 will operate with a 75% share, but also because the cost of the pilot programme has become significant (£920m+).
- 2.25** An important change to the 75% pilot scheme is that there will not be a "no detriment" clause. Under the existing pilot, this has ensured that Gloucestershire is no worse-off than the individual authorities would have been in aggregate under the 50% scheme.

**2.26** The criteria for becoming a pilot as outlined in the invitation prospectus, was:

- Proposed pooling arrangements operate across a functional economic area;
- Proposal demonstrates how pooled income from growth will be used across the pilot areas to either boost further growth, promote financial sustainability or a combination of these;
- Proposal sets out robust governance arrangements for strategic decision making around the management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements.

**2.27** The Gloucestershire Chief Financial Officers met on several occasions and discussed the modelling of how a pilot scheme may work across Gloucestershire. Whilst the modelling supports potential financial gains of circa £7m from becoming a pilot, the Gloucestershire Chief Financial Officers needed to balance these gains against the risks such as claims from NHS Foundation Trusts for mandatory charitable relief on business rates.

**2.28** Given that 2019/20 represents the final year of the current 4 year settlement, significant growth has been achieved across the pool since business rates retention commenced in 2013/14. Detailed modelling acknowledges the significant financial risk that the NHS appeal creates, but also acknowledges that this Council could not mitigate this risk by being outside the pool or pilot. The modelling actually acknowledges that there would be a greater financial risk to the council if it were to leave the existing pool.

**2.29** Following the advice of the Gloucestershire Chief Financial Officers, Leadership Gloucestershire submitted a bid on 25th September 2018 with the following criteria:

- Full agreement by all 7 councils to be designated a pool for 2019/20 (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988). We have agreed arrangements on how to pool the additional business rates income and sign-off by each authority's Section 151 officer.
- An agreed proposal as to how the additional growth should be split. This provides for;
  - **20%** to an already established Strategic Economic Development Fund (set up under the existing pooling arrangements)
  - **30%** to the 6 District Councils and
  - **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 2019/20 only', individual authorities will be careful not to build in longer term financial commitments.
  - We acknowledge that we forgo Revenue Support Grant and Rural Services Grant funding for the period of the pilot i.e. the financial year 2019/20.

**2.30** The successful pilots were announced alongside the provisional Local Government Finance settlement. It is with regret that Gloucestershire was not successful in its bid to become a pilot in 2019/20 but it has been confirmed as having pool status, which will result in a reduced levy being payable. The interim budget proposals were put together on that basis.

### Council Tax

**2.31** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 3 per cent for all local authorities, as in 2018/19. However, shire districts will be allowed increases of up to and including £5, or up to 3 per cent, whichever is higher.

- 2.32** CPI inflation was 2.4% in September 2018, which is above the Monetary Policy Committee's (MPC) 2% target. With increased pressure to deliver services with reducing government support, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 2.33** The tax base has increased by 2.16% in 2019/20 which has significantly exceeded the target of 0.8%. This increase comes from additional properties completed in the past year, effective management of the property database by the Revenues and Benefits team and changes to the council tax support scheme (0.55%).
- 2.34** With this in mind, 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.
- 2.35** The uncertainty surrounding the future of New Homes Bonus post 2020, which represents a significant proportion of our income, and the actual final local government settlement which is not likely to be announced until February 2019, places a greater reliance on council tax as our main source of income.
- 2.36** Therefore, at this stage the Cabinet is proposing a 2.99% increase in council tax in 2019/20; an increase of £6.07 for the year for a Band D property.

### **Collection Fund**

- 2.37** At this point in time, it is estimated that the Council's share of the Collection Fund surplus for 2019/20 is £85,000. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates and the Council's actual share will be confirmed within the final budget proposals presented to Council in February 2019.

## **3. The Cabinet's budget strategy**

- 3.1** In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 3.2** The council has a significant funding gap to resolve as well as a number of financial risks to manage. Given the ambitious nature of the council and its desire to ensure Cheltenham is a place where people wish to work, visit and live the budget strategy for the medium term must reflect these aspirations and not jeopardise these core priorities whilst recognising that the net cost of the council's services must reduce over time.
- 3.3** The proposed key building blocks for the executive team structure of Place and Growth; People and Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves, are the key drivers for delivering the budget strategy.
- 3.4** The budget strategy looks inwards at service transformation and modernisation, outwards at economic growth and investment, and relies heavily on collective ownership and oversight. The Council has an ambition to become more commercial in order to move towards a greater level of financial self-sufficiency. This will require a change at strategic level that will affect the whole organisation, taking into account the tight geography of the Borough, the pace of change desired and the high level of senior leadership buy-in required.
- 3.5** The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.

- 3.6** The commercial strategy was adopted by Full Council in February 2018 with the vision “to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22”.
- 3.7** Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.
- 3.8** The budget strategy indicates broadly how the Council may close the projected funding gap over the period 2019/20 to 2022/23. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources is essential to address under-met needs.

### ***Place and Growth***

- 3.9** **Place and Growth** – refers to “place shaping” in its widest sense – being clear on the ambitions for Cheltenham, gaining alignment and commitment from others on the scale of ambition, and having clarity of purpose, intent and delivery to make sure that Cheltenham is and continues to be a “place where everyone thrives”.
- 3.10** One of the strengths of the Cheltenham economy is its diversity. With the exception of GCHQ, we are not overly dependent on one or two major employers or on the performance of a specific industrial or service sector. It is possible to influence how Cheltenham is shaped, by supporting and encouraging existing and new businesses, marketing the town’s rich cultural and dynamic offer and promote inward investment and building a strong and cohesive community. The place strategy is closely linked to the commercial strategy. Driving growth, increasing gross value added (GVA), investment into Cheltenham, encouraging businesses to thrive and improving employment opportunities; the town’s economy will grow, as should the council’s income through business rates and council tax, providing longer term financial sustainability.
- 3.11** A new senior leadership post was created - MD for Place & Growth. The savings targets were set for the Cost of Service Reduction (£157.5k) which is scheduled for delivery in 2018/19 as approved by Cabinet. However, a transformation programme was agreed to bring a new approach to service delivery – encouraging cost effective and agile working practices as well as increasing income generation. The new approach has enabled the delivery of Marketing Cheltenham (officially launched in Nov 2017), the creation of a business support team, and intern programme and delivery of an agile working project. The programme will continue to drive the savings targets whilst delivering priorities and service improvements.
- 3.12** Following the change in approach to income inflation for fees and charges within the forecast for the funding gap, a new target has been introduced under the Place & Economic Development (P&ED) Transformation programme covering a review of fees and charges and income generation opportunities. This reflects that whilst it is recognised that a flat % inflationary increase is no longer appropriate, a review of the fees and charges made by the services within P&ED should year-on-year result in an additional base budget contribution. The £50k per annum target represents less than 1% of the P&ED 2018/19 income budgets, inclusive of car parking

and excluding cemetery & crematorium which is subject to an inflationary increase. Initiatives such as the pre-application advice services, various licencing initiatives and planning performance agreements have seen a more commercial approach and a sustained growth in income.

- 3.13** Cheltenham is uniquely placed to grow. The creation of a growth zone, as promoted in the Strategic Economic Plan (SEP), is to ensure the availability of quality employment land in proximity to the M5 motorway, attractive to businesses and with excellent connectivity throughout Gloucestershire and the rest of the UK. This will serve latent demand in the marketplace and provide space required to enable businesses to grow; particularly in the town's margins and with the neighbouring district of Tewkesbury, which is also geographically well positioned to deliver growth development to the north-west of Cheltenham and along the M5 corridor.
- 3.14** A 45 hectare site in West Cheltenham has been identified to create a Cyber Business Park, closely connected to the delivery of GCHQ's Cyber Innovation Centre (CIC), seeking to create a cluster of cyber and associated businesses. Cyber security is one of the fastest growing industries in the UK as cyber-crime poses an ever greater threat to the UK economy and Critical National Infrastructure. The CIC will assist in supporting business to develop cyber security products and services. Some will enjoy GCHQ accreditation; others will be purely commercially based, though will need to meet basic security criteria. This model could see fast and sustained employment growth with high value jobs benefiting the wider region.
- 3.15** Initial estimates suggest that this site alone could generate significant additional business rates, of which under existing regulations, Cheltenham would retain 40%. There are obvious constraints such as planning, which will need to be considered alongside the Joint Core Strategy and furthermore the proposed changes to the Business Rates Retention Scheme mean that it is currently unclear how growth would firstly be retained by, and secondly shared between upper and lower tier authorities. It is also important to consider the wider impact and economic significance this cyber business park would have – attracting a wide range of international investors and business.
- 3.16** Another aspect of the Place Strategy is strengthening the town's cultural offer, and in particular a focus on the town centre. Working in collaboration with other partner organisations such as the BID, Marketing Cheltenham has raised the profile of Cheltenham as a destination and the cultural centre for the Cotswolds. The investment programme for the High Street and the improvements through the Cheltenham Transport Plan have seen increased footfall, increases in cycle visits, car parking numbers and bus usage into the town centre. With new stores and business opening in Cheltenham, Cheltenham's High Street is currently performing well. October saw John Lewis open and the more recent announcement that House of Fraser's lease has been renewed, both represent a significant vote of confidence in the town's retail and leisure offer.
- 3.17** Following a review of the council's environmental services provided by Ubico, it is evident that under investment over a period of time now needs to be addressed resulting in the requirement to increase the contract sum for 2019/20 significantly. However, in order to offset this increase, savings of £200k are necessary within the MTFs. These savings will be found by a review of the services provided by Ubico identifying operational and process efficiencies. Following a public consultation exercise, service provision such as the recycling service, household recycling centre at Swindon Road, the recycling bring banks around the borough and further reducing the cost of collection for residual waste, will be determined. Opportunities to explore ways in which income can be increased to offset the need for savings will be maximised.

### ***People and Change***

- 3.18** The **people and change** element of the budget strategy currently has two key areas of focus over the life of the savings plan:
1. Savings following the creation of The Cheltenham Trust which formed part of the original business case when the trust was created in 2014;
  2. Savings targets arising from transformation and modernisation of service delivery within the authority, which are in addition to the savings target to transform regulatory and environmental services.
- 3.19** Whilst the Place and Economic Development (P&ED) programme, which started in 2016, is progressing the current position is that only part of the authority is undergoing a programme of modernisation and change and this now needs to be urgently addressed.
- 3.20** Modernisation will bring cash savings, as set out in the MTFS, but also deliver non-cash savings, which will allow resources to be freed up to support existing, emerging and future corporate priorities.
- 3.21** Ahead of the modernisation programme, Publica Group has been asked to expedite some quick win savings, including the re-negotiation of the Council's mobile phone contract and from other telephony improvements.
- 3.22** Following the review of the Executive Leadership Team, the next stage of the organisational design will be the development of a business case and framework to enable a review of the existing organisational structure. This will set out the approach and resources needed in assisting the Council in determining its future operating model. The outcome of this work will help ensure the Council is then best placed to meet the future opportunities and challenges ahead.
- 3.23** The vision for the services that has emerged through the P&ED transformation programme is services that are financially sustainable, have a commercial mind-set, foster creativity and innovation, with a strong customer and community ethos, and which are flexible and drive out as much as efficiency as possible.
- 3.24** The objectives of the services are to be:
- **Customer focussed** - with services delivered in a way that is convenient for the customer and in a way that meets their changing needs through maximising advancements in technology;
  - **Supportive to economic growth** - through freeing up resources to focus on corporate priorities and improved data to enable more informed decision making;
  - **Efficient** - with joint up services provided at minimal cost and underpinned by clear data;
  - **An organisation** - that is placed to best support the Council in achieving its aims and objectives and to meet the opportunities and challenges ahead;
  - **Investing in our people** - invest in our people to create culture that consistently supports and encourages:
    - Commercial thinking
    - Innovation
    - Continuous improvement through new ways of working.

### ***Finance and Assets***

- 3.25 Finance and assets** – we recognise the continuing need for sound strategic financial planning in the context of uncertainty in the national local government finance landscape, and in a context where more of the authority's ongoing financial revenue will come from business rates or commercial opportunities with a potentially higher risk profile. The acquisition of 4 new commercial investment properties (Ellenborough House, Sainsbury's, Café Nero and 53-57 Rodney Road) has already resulted in us over-achieving our new revenue income target.
- 3.26** The relationship between how we develop, grow and utilise our assets such as the Municipal Offices, Swindon Road depot and our cultural assets needs to be influenced by our ambition for Place, how we use our assets strategically and in the long term to achieve the outcomes we want to see for the town and also the wider county of Gloucestershire. Our Public Realm investment across the Town has enabled us to attract major new businesses which have a positive effect on both business rates income and the vibrancy across the Town.
- 3.27** Active asset management of the authority's asset portfolio and maximising the return from the authority's own assets to help deliver a sustainable financial plan will be increasingly important and is a complex area. Decisions around the extent as to the commercial investment opportunities will heavily rely upon careful and sound strategic financial advice and support.
- 3.28** The property services team are working on an energy plan to make significant efficiencies in the way we manage our buildings. In addition, they have been tasked with ensuring our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts (where appropriate) and stimulates growth and investment in the Borough.
- 3.29** As stated earlier, the principles of the latest settlement allow authorities to spend locally what is raised locally. In order to do this it needs to grow its taxbase through growth, regeneration and reasonable tax increases. It also needs to ensure the taxbase is maximised through effective management and by using measures available, including counter fraud, reducing the number of empty premises and working effectively within the parameters of the planning process with regards to land supply.

### **Summary**

- 3.30** Taking the above into account, the MTFS indicates broadly how the Council will close the projected funding gap over the period 2019/20 to 2022/23 with the stated aim to become financially sustainable. It includes efficiency targets and additional income rather than specifically worked up projections of cost savings and is based on the building blocks of place and growth; people and change; and finance and assets. The detailed schedule of target savings is provided within the MTFS extract at Appendix 3.
- 3.31** The starting point for constructing the 2019/20 budget has been a projected MTFS funding gap of £2.019m.
- 3.32** Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to identifying budget efficiencies, carried out by the Cabinet and the Executive Leadership Team. This work has already made significant progress towards bridging the gap, having identified efficiency savings and additional income of £1.621m.
- 3.33** It is the Cabinet's intention to meet the shortfall in funding in 2019/20 from the budget strategy (support) earmarked reserve in order to deliver a balanced budget. This will give the Council more time to deliver its long-term strategy for delivering the substantial efficiencies required to become financially sustainable by financial year 2021/22.
- 3.34** In preparing the interim budget proposals, the Cabinet and officers have considered the following:
- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The list of

proposals for growth, including one off initiatives, is included in Appendix 4.

- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
- Budgeted for pay inflation at 2% for 2019/20.
- Budgeted for an increase in Members allowances of 2% for 2019/20.
- Budgeted for superannuation increases in accordance with the triennial review 2016 for the financial year 2019/20.
- Increased income budgets for the Cemetery and Crematorium, assuming an average increase in fees and charges of 2%.
- Increased garden waste charges by £3 whilst retaining the prompt payment discount at £3 per bin for households renewing their subscription ahead of their annual renewal date.
- All other fees and charges, including car parking charges, are subject to annual review by the Regulatory and Environmental Services management team. A target of £50k per annum has been established as part of the budget strategy approved to deliver a balanced budget.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

#### **4. Treasury Management**

- 4.1** Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 4.2** Investment interest rates will probably remain very low in the medium term until there is more economic certainty following Brexit. Returns from traditional fixed term cash deposits are minimal so growth has been achieved through alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets.

#### **5. Reserves**

- 5.1** Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review forms part of the formal budget setting report to be presented to Council in February 2019. A projection of the level of reserves to be held at 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2020 respectively is detailed in Appendix 5.
- 5.2** The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

#### **6. Capital Programme**

- 6.1** The interim capital programme for the period 2018/19 to 2020/21 is set out at Appendix 6.
- 6.2** The strategy for the use of the council's capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from capital receipts

and the purchase of new vehicles through Ubico. It also includes the allocations agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall and the Crematorium, and an earmarked contribution to public realm works within the Town Centre.

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

## **7. Property Maintenance Programme**

- 7.1** The interim budget proposals include the 2019/20 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £470k to planned maintenance and £130k to reactive repairs, as detailed in Appendix 7.

## **8. Reasons for recommendations**

- 8.1** As outlined in the report.

## **9. Alternative options considered**

- 9.1** The Cabinet has considered many alternatives in arriving at the interim budget proposals. Opposition groups will be able to suggest alternative budget proposals for consideration by Council in February 2019.

## **10. Consultation and feedback**

- 10.1** The formal budget consultation on the detailed interim budget proposals will be over the period **19<sup>th</sup> December 2018 to 25<sup>th</sup> January 2019**. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2019 and any comments will be fed back to the Cabinet.
- 10.2** Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to allow consideration of their full implications and to enable them to be built into the budget.
- 10.3** All comments relating to the initial budget proposals should be returned to the Executive Director Finance and Assets (Section 151 Officer) by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the council's website. Comments can be e-mailed to [moneymatters@cheltenham.gov.uk](mailto:moneymatters@cheltenham.gov.uk).
- 10.4** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Executive Director Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.
- 10.5** Given the financial pressures and the potentially very difficult decisions which will have to be made, it is important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not

obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

## 11. Performance management – monitoring and review

- 11.1** The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from the delivery of services to the delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised. It is intended that this will be evidenced further in the publication of the MTFS in February 2019.
- 11.2** The delivery of the savings workstreams included in the interim budget proposals, if approved by full Council will be monitored by the Budget Scrutiny Working Group.

<b>Report author</b>	<p><b>Paul Jones, Executive Director Finance and Assets (Section 151 Officer)</b></p> <p><b>Tel. 01242 264365;</b></p> <p><b>e-mail address <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a></b></p>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Summary net budget requirement</li> <li>3. MTFS and Commercial Strategy</li> <li>4. Growth</li> <li>5. Projection of reserves</li> <li>6. Capital programme</li> <li>7. Programmed Maintenance programme</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. Budget Strategy and Process 2019/20 report to Cabinet 6<sup>th</sup> November 2018.</li> </ol>

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	ED Finance and Assets	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	ED Finance and Assets	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2019/20 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	ED Finance and Assets	
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	ED Finance and Assets	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	Ongoing	ED Finance and Assets	

	the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							the Council.  The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.  Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	ED Finance and Assets	15/12/10	3	3	9	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	ED Finance and Assets	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and county wide CFO's to monitor changes to local government financing regime including responding	Ongoing	ED Finance and Assets	

	incorrect, then there is likely to be increased volatility around future funding streams.							to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
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## NET GENERAL FUND INTERIM BUDGET 2019/20

<b>GROUP</b>	<b>2018/19 ORIGINAL £</b>	<b>2018/19 REVISED £</b>	<b>2019/20 ORIGINAL £</b>
<b>Projected cost of 'standstill' level of service</b>			
Chief Executives Directorate	1,721,359	1,551,335	1,460,006
Finance & Assets Directorate	6,262,145	9,654,185	9,309,014
People & Change Directorate	2,497,956	3,892,669	3,579,009
Place & Growth Directorate	7,231,306	7,161,612	7,026,213
Programme Maintenance	0	0	470,000
Bad debt provision	20,000	20,000	20,000
	<b>17,732,766</b>	<b>22,279,801</b>	<b>21,864,242</b>
Capital Charges	(1,474,800)	(3,768,856)	(2,967,738)
Interest and Investment Income	(1,650,500)	(1,983,037)	(2,414,047)
Use of balances and reserves - Appendix 5	734,196	(1,061,982)	201,925
Growth (self funding) - Appendix 4	0	0	0
Savings / Additional income identified - Appendix 3	0	0	(1,621,000)
Use of Budget Strategy Support reserve	(913,058)	(913,058)	(397,744)
<b>NET BUDGET</b>	<b>14,428,604</b>	<b>14,552,868</b>	<b>14,665,638</b>
<b>Deduct:</b>			
National Non-Domestic Rate	(3,303,474)	(3,303,474)	(3,089,171)
National Non-Domestic Rate - 2017/18 surplus / deficit	235,484	235,484	0
National Non-Domestic Rate - 2018/19 surplus / deficit	510,227	510,227	(73,117)
National Non-Domestic Rate - 2019/20 surplus / deficit	0	0	220,490
National Non-Domestic Rates - S31 Grants	(1,474,787)	(1,599,051)	(1,481,996)
New Homes Bonus	(1,754,530)	(1,754,530)	(1,240,000)
Less: Grant allocated to Parishes (council tax support)	5,169	5,169	0
Collection Fund Contribution	(172,000)	(172,000)	(85,000)
	<b>(5,953,911)</b>	<b>(6,078,175)</b>	<b>(5,748,794)</b>
<b>NET SPEND FUNDED BY TAX</b>	<b>8,474,693</b>	<b>8,474,693</b>	<b>8,916,844</b>
Band 'D' Tax	£203.01	£203.01	£209.08
Increase per annum			£6.07
Increase per week			£0.12
% Rise			2.99%
Gross Collectable Tax Base	42,166.87	42,166.87	43,078.79
Collection Rate %	99.00%	99.00%	99.00%
Net tax base	41,745.20	41,745.20	42,648.00

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BUDGET STRATEGY						
	2018/19	2019/20	2020/21	2021/22	2022/23	Total 2019/20 to 2022/23
<b>Total Current MTFS Funding Deficit</b>	<b>1,629,558</b>	<b>2,018,744</b>	<b>2,448,559</b>	<b>1,795,600</b>	<b>1,323,223</b>	<b>7,586,126</b>
<b>1. Place and Growth</b>						
Transformation of Regulatory & Environmental Services delivery	157,500	50,000	50,000			100,000
Review of fees & charges and income generation opportunities	50,000	50,000	50,000	50,000	50,000	200,000
Car Parking Strategy - volume / price analysis		550,000				550,000
Environmental Services efficiencies		200,000				200,000
Place and Growth target			250,000	400,000	600,000	1,250,000
<b>Total</b>	<b>207,500</b>	<b>850,000</b>	<b>350,000</b>	<b>450,000</b>	<b>650,000</b>	<b>2,300,000</b>
<b>2. People and Change</b>						
Revenues and Benefits restructure	80,000	40,000				40,000
L&C Review - trust savings		100,000	93,500			193,500
Publica savings		40,000				40,000
Modernisation Programme			100,000	200,000		300,000
<b>Total</b>	<b>80,000</b>	<b>180,000</b>	<b>193,500</b>	<b>200,000</b>	<b>0</b>	<b>573,500</b>
<b>3. Finance and Assets</b>						
Additional Depot rent - Ubico	25,000					
Investment portfolio income generation - direct purchase	50,000	340,000				340,000
Local Council Tax Support scheme		40,000				40,000
Treasury Management activity	240,000					
LGPS up-front payment discount	114,000	161,000				161,000
Municipal offices - relocation and site regeneration		50,000				50,000
Finance and Assets target			250,000	250,000	800,000	1,300,000
<b>Total</b>	<b>429,000</b>	<b>591,000</b>	<b>250,000</b>	<b>250,000</b>	<b>800,000</b>	<b>1,891,000</b>
<b>4. Use of Reserves</b>						
* Use of Budget Strategy (Support) Reserve	913,058	397,744	1,655,059	895,600		2,948,403
<b>Total</b>	<b>913,058</b>	<b>397,744</b>	<b>1,655,059</b>	<b>895,600</b>	<b>0</b>	<b>2,948,403</b>
<b>Total Identified Savings/Income</b>	<b>1,629,558</b>	<b>2,018,744</b>	<b>2,448,559</b>	<b>1,795,600</b>	<b>1,450,000</b>	<b>7,712,903</b>
Target one-off underspend to boost budget strategy reserve						
<b>Shortfall / (Surplus) against MTFS Funding Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(126,777)</b>	<b>(126,777)</b>

NB: traffic lights denote risk associated with delivery

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Ref	Division	Project Name	Description				Capital Costs
				2019/20	2020/21	2021/22	2019/20
				£	£	£	£
SUPPORTED ONE OFF GROWTH (FUNDED FROM FLEXIBLE HOMELESSNESS SUPPORT GRANT AND HOUSING REVENUE ACCOUNT)							
1	Place & Growth Directorate	Additional Housing Strategy & Enabling Officer	A second Housing Strategy & Enabling Officer to create capacity to deliver increased affordable housing and reduce rough sleeping and homelessness. Temporary position funded to 2021 by a 50% contribution from the Housing Revenue Account and 50% use of the flexible homeless support grant.	42,000	42,000	-	
				42,000	42,000	0	

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		<u>31st March</u> <u>2018</u> £	<u>2018/19</u> <u>Movement</u> <u>Revenue</u> £	<u>2018/19</u> <u>Reserve</u> <u>Re-alignment</u> £	<u>2018/19</u> <u>Movement</u> <u>Capital</u> £	<u>31st March</u> <u>2019</u> £	<u>2019/20</u> <u>Movement</u> <u>Revenue</u> £	<u>Proposals</u> <u>to Support</u> <u>2019/20 Budget</u> £	<u>31st March</u> <u>2020</u> £
<u>EARMARKED RESERVES</u>									
<u>Other</u>									
RES002	Pension Reserve	(210,600)	(70,200)			(280,800)	(150,000)		(430,800)
RES003	Economic Development & Tourism Reserve	(4,200)				(4,200)			(4,200)
RES006	Cultural Development Reserve	(22,361)				(22,361)			(22,361)
RES008	House Survey Reserve	(42,116)	36,500			(5,616)			(5,616)
RES026	Social Housing Marketing Assessment (SHMA) Reserve	(46,034)	32,000			(14,034)	(2,500)		(16,534)
RES009	Twinning Reserve	(8,366)				(8,366)			(8,366)
	To fund future flood resilience work, delegated to the Flood working group for allocation								
RES010	Flood Alleviation Reserve	(137,900)	50,000			(87,900)	50,000		(37,900)
RES014	GF Insurance Reserve	(91,606)	14,500			(77,106)			(77,106)
RES016	Joint Core Strategy Reserve	(18,780)				(18,780)			(18,780)
RES018	Civic Pride Reserve	(196,088)	105,100			(90,988)	90,988		0
RES020	Ubico Reserve	(94,000)				(94,000)			(94,000)
RES022	Homelessness Reserve	(41,100)	35,000			(6,100)			(6,100)
RES023	Transport Green Initiatives Reserve	(33,825)				(33,825)			(33,825)
RES024	New Initiatives reserve	(685,657)	233,034			(452,623)			(452,623)
RES025	Budget Strategy (Support) Reserve	(1,555,027)	913,058			(641,969)		397,744	(244,225)
		<b>(3,187,660)</b>				<b>(1,838,668)</b>			<b>(1,452,436)</b>
<u>Repairs &amp; Renewals Reserves</u>									
RES201	Commuted Maintenance Reserve	(144,207)	59,000			(85,207)	59,000		(26,207)
RES204	I.T. Repairs & Renewals Reserve	(37,200)	(50,000)			(87,200)	(50,000)		(137,200)
RES206	Delta Place Reserve	(200,000)	(100,000)			(300,000)	(100,000)		(400,000)
RES205	Property Repairs & Renewals Reserve	(1,552,905)	566,353		650,412	(336,140)	52,000		(284,140)
		<b>(1,934,313)</b>				<b>(808,548)</b>			<b>(847,548)</b>
<u>Equalisation Reserves</u>									
RES101	Rent Allowances Equalisation	(480,100)	(44,183)			(524,283)	110,687		(413,596)
RES102	Planning Appeals Equalisation	(207,932)				(207,932)			(207,932)
RES105	Local Plan Equalisation	(107,230)				(107,230)			(107,230)
RES106	Elections Equalisation	(195,487)	70,000			(125,487)	(62,100)		(187,587)
RES107	Car Parking Equalisation	(330,000)	(400,000)		400,000	(330,000)			(330,000)
RES108	Business Rates Retention Equalisation	(767,425)	112,254			(655,171)			(655,171)
RES109	Cemetery income Equalisation reserve	(373,550)	54,300			(319,250)			(319,250)
		<b>(2,461,724)</b>				<b>(2,269,353)</b>			<b>(2,220,766)</b>
<u>Reserves for commitments</u>									
RES301	Carry Forwards Reserve	<b>(308,324)</b>	308,324			<b>0</b>			<b>0</b>
<u>CAPITAL</u>									
RES402	Capital Reserve - GF	<b>(228,767)</b>	(200,000)		183,000	<b>(245,767)</b>	(200,000)		<b>(445,767)</b>
<b>TOTAL EARMARKED RESERVES</b>		<b>(8,120,788)</b>				<b>(5,162,336)</b>			<b>(4,966,517)</b>
<u>GENERAL FUND BALANCE</u>									
B8000 - B8240	General Balance - RR	(1,408,591)	250,000			(1,158,591)			(1,158,591)
		<b>(1,408,591)</b>				<b>(1,158,591)</b>			<b>(1,158,591)</b>
<b>TOTAL GENERAL FUND RESERVES AND BALANCES</b>		<b>(9,529,379)</b>	<b>1,975,040</b>	<b>0</b>	<b>1,233,412</b>	<b>(6,320,927)</b>	<b>(201,925)</b>	<b>397,744</b>	<b>(6,125,108)</b>

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Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2018/19 £	Revised Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
CAP128	C	<b>CHIEF EXECUTIVE</b> Council chamber audio visual equipment	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	-	75,000	-	-
CAP131	C	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	-	80,000	-	-
				-	155,000	-	-
		<b>FINANCE &amp; ASSET MANAGEMENT</b> <b>Property Services</b>					
CAP506	GCR	Enterprise Way Phase 2	Industrial units to complete development	525,000	585,000	-	-
CAP508-511	PB/GCR	Enhancing Investment Property Portfolio	To increase the Council's property portfolio.	-	43,083,001	-	-
CAP402	P	West Cheltenham \ Cyber Hub	Infrastructure to support cyber hub	21,000,000	-	-	-
		<b>Financial Services</b>					
CAP010	GCR	GO ERP	Development of ERP system within the GO Partnership	-	14,700	-	-
				21,525,000	43,682,701	-	-
		<b>PEOPLE &amp; CHANGE</b> <b>Leisure &amp; Culture</b>					
CAP126	GCR/R	Town Hall redevelopment scheme	Preliminary work, subject to Council approving a detailed scheme and a business case	-	329,119	-	-
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	-	2,169,197	-	-
		<b>ICT</b>					
CAP026	GCR	IT Infrastructure	5 year ICT infrastructure strategy	100,000	134,107	100,000	100,000
CAP028	HCR	Telephony	Infrastructure plus the handsets/one off licences	-	16,400	-	-
		<b>Revenues &amp; Benefits</b>					
CAP132	SGG	Council Tax Support / NNDR New Burdens software	Software to enable changes to council tax support scheme and NNDR new burdens	-	50,000	-	-
				100,000	2,698,823	100,000	100,000
		<b>PLACE &amp; GROWTH</b>					
CAP601/2/3	PB/PPMR/HCR/GCR/R	Crematorium Scheme - new chapels	Construction of new chapels	-	5,578,723	-	-
CAP606	GCR	Crematorium Scheme - existing chapel	Redevelopment of existing chapel	-	-	285,000	-
CAP152	GCR	Public Realm - Promenade pedestrianised area	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone	-	34,832	-	-

Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2018/19 £	Revised Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
CAP154	GCR	Public Realm - St. Mary's Churchyard	Public Art Scheme	-	56,900	-	-
CAP155	P/GCR	Pedestrian Wayfinding	GCC Pedestrian Wayfinding	-	48,000	-	-
CAP156	S106	Hatherley Art Project	Public Art - Hatherley	-	11,800	-	-
CAP204	GCR	Public Realm - Improvements to Grosvenor terrace car park (Town Centre East)	Improving linkages to the High Street, signage and decoration.	-	115,500	-	-
CAP201	GCR	CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	50,000	317,520	50,000	50,000
CAP205	GCR	Public Realm Improvements - High St.	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	-	598,500	-	-
CAP205	GCR	Public Realm Improvements - fees	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	-	62,500	-	-
CAP206	GCR	Car Park Investment	Car park strategy priority actions: improvements to Regent Arcade payment system and refresh payment machines across the estate.	-	287,100	-	-
CAP129	R	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.	-	400,000	-	-
CAP130	C	Community Infrastructure levy software	Costs anticipated for the implementation of CIL software and licensing.	-	28,000	-	-
CAP507	C	Changing Places	Funded from capital reserve. Two changing room accessible toilets in the town centre	-	136,000	-	-
CAP221	BCF	<b>Housing</b> 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	736,264	500,000	500,000
CAP222	GCR	Adaptation Support Grants	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	30,000	15,000	15,000
CAP223	PSDH	H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy	-	211,425	-	-
CAP224	PSDH	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems	-	38,400	-	-
CAP228	S106	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Homes and Communities Agency (HCA)	-	252,746	-	-
CAP101	S106	<b>Parks and Gardens</b> S.106 Play area refurbishment	Developer Contributions	50,000	35,000	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
CAP501	GCR	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	-	563,904	-	-
CAP101	P/R/S106	Clyde Scooter Skate Park	Construction of a concrete scooter skate park in Clyde Crescent open space.	-	66,979	-	-
CAP133	GCR	Replacement Vehicles	Replacement vehicles for use by the Parks & Gardens service.	-	28,000	38,000	-
CAP301	PB/GCR	<b>Waste &amp; Recycling</b> Vehicles and recycling equipment and receptacles	Replacement vehicles and recycling equipment	1,000,000	1,496,000	1,704,000	328,800
CAP305	GCR	Depot workshop enhancements	Modifications and enhancement of workshops	-	114,100	-	-
				<b>1,695,000</b>	<b>11,328,193</b>	<b>2,722,000</b>	<b>1,023,800</b>

Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2018/19 £	Revised Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
	GCR	<b>BUDGET PROPOSALS FOR FUTURE CAPITAL PROGRAMME:</b> 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				
		<b>TOTAL CAPITAL PROGRAMME</b>		<b>23,320,000</b>	<b>57,864,717</b>	<b>2,822,000</b>	<b>1,123,800</b>

	BCF	<b>Funded by:</b> Better Care Fund (DFG) / government grant		500,000	736,264	500,000	500,000
	SGG	Specific government grant		-	50,000	-	-
	P	Partnership Funding		21,000,000	402,807	-	-
	PSDH	Private Sector Decent Homes Grant		-	249,825	-	-
	PPMR	Property Planned Maintenance Reserve		-	650,412	-	-
	S106	Developer Contributions S106		50,000	314,546	50,000	50,000
	HCR	HRA Capital Receipts		-	46,400	-	-
	GCR	GF Capital Receipts		1,357,000	4,358,670	1,859,000	573,800
	PB	Prudential Borrowing		413,000	50,467,793	413,000	-
	R	Revenue (RCCO) / other revenue reserves		-	405,000	-	-
	C	GF Capital Reserve		-	183,000	-	-
				<b>23,320,000</b>	<b>57,864,717</b>	<b>2,822,000</b>	<b>1,123,800</b>

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## Planned Maintenance Programme 2019 - 2020

## Summary by Priority

## Priority Grading

**Priority 1:** Critical work that will prevent immediate closure of premises, and/or address an immediate high risk to health & safety of occupants, and/or remedy a serious breach of legislation

**Priority 2:** Essential work required within two years that will prevent deterioration of fabric or services, and/or to the health & safety of occupants, and/or remedy a lesser breach of legislation

**Priority 3:** Desirable work required within two years that will prevent deterioration of fabric or services, and/or to the health & safety of occupants, and/or remedy a lesser breach of legislation

Order of Estimated Cost		Financial Year 2019 - 2020			
		Priority			Total
Property Name	Description	1	2	3	
All Properties (H&S)	Consequential works arising from risk assessments/ inspections/report	10,000			
All Properties (H&S)	Fixed Wiring inspections/ EIC Certification programme	5,000			
All Properties (H&S)	Contingency fund for compliance/ H&S remedial work	21,000			
All Properties (H&S)	Repairs to car parks pot hole and other misc repairs	15,000			
Town Hall	Paint the underside of entrance portico and make safe to plaster		4,500		
Town Hall	Roof repairs		11,000		
Town Hall	sand and seal floors		5,000		
Town Hall	Internal redecorations to Regency Café		6,000		
Town Hall	Internal redecorations to kitchen		3,000		
Pump Room	Remedial repairs to ornate internal plasterwork to ceiling		2,500		
Pump Room	sand and seal floors		5,000		
Pump Room	Redecorations to receptionstairs and toilet lobby		4,500		
Pump Room	Internal redecorations to kitchen		2,500		
Municipal Offices	redecorations to toilets		3,000		
Municipal Offices	Repairs to render		15,000		
Municipal Offices	Replace boilers		30,000		
Municipal Offices	overhaul and repair windows		5,000		
Art Gallery & Museum	replace remainder of humidifiers		12,000		
Art Gallery & Museum	renew pigeon netting to plant room area		2,000		
Art Gallery & Museum	Renew/upgrade plant room pumps		20,000		
Art Gallery & Museum	Waterproof plant room floor (inconjunction with pump replacement)		3,000		
Art Gallery & Museum	Rendering to front wall of No 51.		8,000		
Pittville Recreation Centre	Replacement of fire doors (wet side areas)		15,000		
Pittville Recreation Centre	replace areas of suspended ceiling		20,000		
General	top up to the reactive maintenance budget,		130,000		
Pittville Recreation Centre	Main hall - Seat replacements (ongoing)		2,500		
Pittville Recreation Centre	Duct cleaning		10,000		
Depot	Renew areas of roof covering to bulking shed where leaking		30,000		
Prince of Wales Stadium	External / Cladding panel redecoration		10,000		
Prince of Wales Stadium	High level lighting inspection		8,000		
QE11 Playing Field	Annual leachate removal from catch-pit		4,000		
Honeybourne Line	Structural masonry repairs to retaining/boundary walls		10,000		
Central Depot	Replacement of CCTV cameras		7,000		
Central Depot	Replace Security fencing		15,000		
All Properties	Estates works to be undertaken for lease purposes		15,000		
Agg Gardner Pavilion	Renew skylights		3,500		
Agg Gardner Pavilion	Replace water pressure booster		3,000		
Mary Godwin Pavilion	Replace 2Nr 1200ltr water heaters,install mains gas and gas boiler,remove tanks		15,000		
Mary Godwin Pavilion	Renew shower heads		3,500		
Minotaur and Hare	Repairs wanting from recent vandalism		6,500		
Town centre East car park	Internal deep clean		6,000		
Town centre East car park	Redecorations		10,000		
Regent arcade car park	redecorations and repairs		20,000		
Regent arcade car park	renewal of fencing to perimeters		25,000		
High Street Car Park	Resurface and line marking		15,000		
Bath Parade car park	Rebuild Italian Garden wall		3,000		
Montpellier Band Stand	Reroof		6,500		
West End Car Park	Reduce height of defective boundary wall	5,000			
Enterprise Way	renewal of fencing with security fencing		8,500		
<b>Sub Totals:</b>		<b>£ 56,000</b>	<b>£ 544,000</b>	<b>£ -</b>	<b>£ 600,000</b>

**Total of Priority 1's 2's & 3's:**

**£ 600,000**

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