CHELTENHAM
BOROUGH COUNCIL

Notice of a meeting of Cabinet

Tuesday, 12 February 2019
6.00 pm
Pittville Room - Municipal Offices

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

Agenda

9.		**FINAL GENERAL FUND REVENUE AND CAPITAL BUDGET PROPOSALS 2019/20 (INCLUDING SECTION 25)** Report of the Cabinet Member Finance - Appendices 2-10 TO FOLLOW	(Pages 3 - 68)

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APPENDIX 2

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

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES 2019/2020

1. INTRODUCTION

The Local Government Act 2003 Section 25 includes a specific duty on the Chief Finance Officer (Section 151 Officer) to make a report to the authority when it is considering its annual budget and council tax levels. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act 'reserves' includes 'general fund balances'.) The Act requires the Council to have regard to the report in making its decisions at the Council's budget and council tax setting meeting in respect of 2019/20.

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

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

2. ROBUSTNESS OF ESTIMATES

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

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

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

- the issuing of clear guidance to Service Managers on preparing budgets through the annual budget strategy report;
- peer review by finance staff involved in preparing the standstill base-budget, i.e. the existing budget plus contractual inflation;
- the use of in-year budget monitoring to re-align budgets in line with projected changes for 2019/2020;
- a medium term planning process that highlights priority services;
- a review of the corporate risk register;
- a service review by the Cabinet, Executive Leadership Team and Service Managers of detailed budget and proposed savings and their achievability; and
- Finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

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

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

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

Budget Assumption	Financial Standing and Management
2. The treatment of inflation and interest rates.	The following assumptions have been made in the preparation of the Medium Term Financial Strategy in respect of inflationary pressures: • Pay awards are modelled at 2% per annum from 2019/20. • Employer's Superannuation contributions – agreed until 2020 through the latest triennial valuation and through agreement to pay the required secondary sum payments to the Local Government Pension Scheme (LGPS) as an up-front payment for the last 2 years future liability. Future uncertainty in the economy / fund performance may increase or decrease pension fund deficits although budgeting assumptions follow actuarial advice. Current modelling and results suggest the current strategy will ensure the Council is in a positive cash-flow position by 2019/20, resulting in an improved funding level. • Contract inflation has been allowed for at the appropriate contractual rate • In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain service levels. In-year increases will need to be managed. • The Council provides a number of demand led services e.g. green waste collection, car parking, building control charges, etc. The estimates for 2019/20 have been prepared on the advice of officers who have taken a professional view on income levels, based on their opinion about the local economic conditions. Income from fees and charges will generally have been increased where legislation permits although a more targeted approach to demand led services have been appraised by Service Managers. • On 8th July 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years. This resulted in an estimated loss of rental income of £6.7m in the period to 31st March 2020. The proposals agreed in 2016/17 recommended a balanced approach to cost savings and planned use of reserves. 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. • The treasury management strategy continues to diversify into pooled funds which will expose the Council to investments within property, bonds and equities. These funds have the advantage of providing wide diversification of investment risk, coupled with the services of professional fund managers in return for a fee. These funds offer enhanced returns over the longer term, but are more volatile in the short-term but will allow the authority to diversify into asset classes other than cash. • The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its policy and strategy statements annually. The Investment Strategy is reviewed annually to ensure security of public money. Following the banking crisis, our treasury advisors continue to advise the Council and Treasury Management Panel on policy. Risks around inflation and interest rate variations have been built into my assessment of the budget. In-year increases will need to be managed but may need to be funded from General Balances and subsequently be built into base budget in future years. The recommended minimum HRA revenue reserve to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £1.5m at 31st March 2022.

Budget Assumption	Financial Standing and Management
3. Estimates of the level and timing of capital receipts.	Property services need to ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough. In December 2016, Full Council agreed that a minimum of 50% of all future asset disposal proceeds be ring-fenced to enhancing the Council's land and asset portfolio. In that same report, Full Council endorsed an aim to generate a minimum 5% yield on future investment in property to help towards achieving a sustainable MTFS. No major General Fund capital receipts are anticipated that would affect the planned capital expenditure in 2019/2020. A strategic review of our property portfolio has been undertaken to support the development of the investment property portfolio and to ensure that the council's assets make the maximum contribution possible to support the MTFS. Housing stock sales through Right to Buy (RTB) are estimated to be at 30 per annum to March 2022 then reducing to 20 per annum thereafter. These receipts will be ring-fenced towards the supply of new housing.
4. The treatment of efficiency savings/ productivity gains.	The majority of savings proposals for 2019/2020 are already in progress and no identified slippage has been identified. This should not undermine our ability to keep expenditure within budget in 2019/20 although provision is made for slippage within working balances.
5. Government support.	The following assumptions have been made in the preparation of the Medium Term Financial projections in respect of Government support: • The estimates for 2019/20 are based on the final financial settlement notified by the Ministry of Housing, Communities and Local Government (MHCLG) on 29th January 2019. • The medium term financial projections assume a full business rates reset under the fair funding review, which will only allow for growth achieved in 2019/20 to be retained. It also assumes this Council will no longer receive any Revenue Support Grant (RSG) and that New Homes Bonus (NHB) will be phased out from 2020 in its current format – i.e. the Council will only receive legacy payments from 2020/21. • The budget requires £1.469m of New Homes Bonus (NHB) to support the revenue budget in 2019/20. The fact that this source of funding is being top-sliced from the RSG, means that the Council has little alternative but to regard this money as an important part of its income stream and is therefore assumed to be base funding across the period of the MTFS, albeit phased out. • The budget for 2019/20 includes assumptions for business rates based on estimates of collection rates, bad debts, appeals, reliefs (mandatory and discretionary) and assumed 40% share under the 50% retention system. The medium term financial projections assume a move to 75% retention (although no decision has been made on tier split) and that a full reset will be implemented as part of the fair funding review. As in previous years, an earmarked reserve is maintained to help mitigate the risk of any future fluctuations. Despite the uncertainty over future government funding, I am comfortable that the Council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and NHB receipts. 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.

Budget Assumption	Financial Standing and Management
6. Proposed level of council tax.	When setting the level of council tax, members should always consider the medium term outlook to ensure that a sustainable budget position is maintained Members also need to acknowledge that the Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific increase (the greater of up to 3% or £5 in 2019/20). Council tax is the main source of locally-raised income for this authority and has previously been referred to by MHCLG as 'an important source of funding which is used to meet the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants. When calculating the core grant settlement, the Government assumes that all Shire Districts will increase their Council Tax by the threshold amount for 2019/20. The indicative grant levels for the period 2019/20 also assumes that all local authorities will increase their Council Tax levels up to the threshold each year. CIPFA is currently piloting a financial resilience index and their recommended good practice is that this is referred to within the s25 report for 2019/20 before this becomes a requirement when the Financial Management Code is adopted by CIPFA. One of the indicators is the council tax requirement as a ratio to net revenue expenditure. This indicator provides a measure of the relative importance of council tax and grants. A low ratio suggests higher dependency on grants which may suggest that a council may experience financial difficulties as grants diminish further. The ratio for this council in 2019/20 is 60.12% and is projected to rise over the duration of the MTFS which equates to this council having a diminishing dependency on grants. There has been an important shift in the Government's principles, most noticeably, the shift away from freezing council tax to using council tax to generate additional funding. Given that this budget relies on the use of reserves to generate a balanced budget in 2019/20 and the relevance of the indicator outlined above, I support a council tax increase of 2.99% as this will avoid the requirement for a referendum (cost c. £50k) for council tax increases over the government cap.

Budget Assumption	Financial Standing and Management
7. Medium Term Financial Strategy (MTFS) – the strategy for closing the projected funding gap.	Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme. The 2019/20 budget includes medium term financial projections of the projected funding gap and indicates broadly how the Council may close the projected funding gap over the period 2020/21 to 2022/23. The Medium Term Financial Strategy outlines the strategy for closing the funding gap and includes efficiency savings and income targets rather than necessarily specific worked up projections of cost savings. The Council has traditionally provided 'one off' funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or earmarked reserves. The Council's approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap and is effectively scrutinised. The Council is developing a more commercial approach to service provision with the aim of becoming self-financing and less dependent of Central Government funding. This approach has helped to refocus on delivering a sustainable MTFS. It is anticipated that the move to a greater share of business rates is a step in the right direction for Cheltenham, although we are already aware that a system of tariffs and top-ups will remain which effectively distributes funding across the Local Government sector. Developing strategies for business and economic growth which will generate revenue for the council to offset the reductions in government funding streams will be a key strand of the development of the MTFS.
8. The authority's capacity to manage in-year budget pressures.	The authority has proven its ability to manage in-year budget pressures with no recorded overspends in recent years. Improvements to our Devolved Budgetary Control scheme have improved our management of cash limited budgets.
9. The strength of the financial information and reporting arrangements.	The Council has strong internal and external reporting standards. Quarterly management reports are made to the Cabinet. These procedures have allowed firm management of any projected overspends in the past. These reports have been enhanced with detailed financial commentary and clear direction with regards to in-year virements which aids transparency and full scrutiny.
10. The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.	The Council's virement and carry forward rules are clear. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council's Devolved Budgetary Control scheme gives managers flexibility to manage budget variations within their services. Service overspends may be clawed back from future budgets.
11. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are considered adequate. The Council does self-insure on small claims and has reserves to meet any excesses relating to claims. No uninsured risks have been identified.

Budget Assumption	Financial Standing and Management
12. The approach to financing the maintenance programme.	The Council has £600k built into the base revenue budget to fund the annual maintenance budget of the property portfolio. The maintenance schedule of planned commitments has been established for 2019/20 and will be reviewed by the Asset Management Working Group on an annual basis.

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

3. ADEQUACY OF RESERVES AND BALANCES

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

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

The CIPFA resilience index also has a number of indicators measuring reserves. The indicators suggest that whilst earmarked reserves held are mid-range compared to other district councils, our unallocated reserves (i.e. general balances) are in the lower quartile. Whilst this is useful information, it needs to be more qualitative, which is around whether reserves are being used in line with policy. There appears to be an assumption within these indicators that having high levels of reserves is a good measure which doesn't necessarily fit well with the equity perspective that Council's should not be sitting on high levels of reserves as this is being funded by local taxpayers that are not getting any benefit.

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

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

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds (earmarked reserves) to meet known or predicted requirements.

GENERAL (WORKING) BALANCES – CALCULATION OF OPTIMUM LEVEL

There are two approaches for deciding the optimum level of working balance. One approach is to apply a percentage range to the Net Budget Requirement, currently assessed as between 5% and 10% or a level between £0.742m and £1.484m. The alternative is a level based upon a risk assessment of the budget. In 2019/20 the Section 151 Officer has used a risk based approach to assess the appropriate level of general balances.

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

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

	Area of Risk	Explanation
1.	Inflationary Pressures	Historically the cost of pay awards has caused major variations to budget estimates. The current agreed pay award is in place until 2020 which means no provision is required within the working balance in 2019/20. Inflationary risks on other costs are a factor elsewhere. The Ubico contract is driven by fuel and pay increases and a provision of 1% on the 2019/20 General Fund contract value suggests a figure of £90,000 should be kept as a provision within the working balance.
2.	Pension Fund Changes	The 2016 triennial review has brought a degree of certainty to future pension costs for 2018-2020. These will not impact adversely on the Council in the next 12 months so no specific provision is required at this point. .
3.	Planned savings measures	The Savings Strategy identifies £4.721m of targets to be delivered across 2019/20 to 2022/23. Slippage can occur and the Red Amber Green (RAG) system for identifying those work streams at risk of slippage within the Savings Strategy. Currently the strategy notes £250,000 of work streams considered 'amber' for 2019/20 in terms of delivery and so these are accommodated within the working balance. The Council's base budget includes an annual target of £375k to recognise staff vacancy management which has been allocated out to cost centre managers which has ensured more transparency and ownership of the target. However, a smaller workforce coupled

	Area of Risk	Explanation
		with reducing opportunities in a depressed public sector could impact on this budget principle and therefore a 10% allowance, equivalent to £38,000 for this is included within the working balance.
4.	Interest rate variations	The current low levels of investment rates suggest that there is little down-side risk at present on cash deposits. However, the Council has diversified some of its cash balances away from fixed term deposits towards pooled property funds and multi-asset funds such as equities and bonds and as such £100,000 provision is recommended for 2019/20.
5.	Volume variations demand led	During the economic downturn the Council was vulnerable to drops in key income streams, e.g. planning fees, car parking income, etc. The budget projections reflect current levels of income however the risks associated with volatility should be better reflected particularly given recent fluctuations in planning, car parking and building control income. As such a provision amounting to £250,000 to reflect the volatility is recognised in the working balance.
6.	Risk of litigation contingency	The level of risk associated with litigation is considered to be reducing over time however risk does still remain and as such a provision of £200,000 is retained. The council holds a separate earmarked reserve for planning appeals which is also available if required.
7.	Emergency planning	Whilst the government will step in to assist in the event of a major disaster there are thresholds at which assistance is given. This threshold is 0.2% of the net budget. Financial support is then given at 85% of costs above this level. Provision of £1m would cost this Council £170,000 which is provided for within the working balance; the cash flow impact would need to be handled from invested cash balances.
8.	Financial guarantees/ contingent liabilities	Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.
9.	Grant income	No new grant streams are anticipated in the 2019/2020 budget. No risks have been identified around existing grant flows that require specific provision in the working balance.
10.	Business rates retention	As part of the pooling arrangement, the Council could be required to contribute to large scale revaluations such as occurred with Virgin Media via Tewkesbury Borough Council. Provision for such occurrences should therefore be included within the working balance and as such £150,000 is held. The council holds a separate earmarked reserve for Business Rates Retention which is also available if required.
11.	The Cheltenham Trust	A contingency provision of £100,000 is to be held in general balances for any unforeseen instances incurred by the Trust as they go through re-organisation and transformation.

The assumptions above total £1,348,000 suggesting that we strive to maintain a working balance around this figure during 2019/20. The Council should aim to not allow the working balance to fall below this figure. The current working balance is £1,358,591.

EARMARKED RESERVES

In order to assess the adequacy of earmarked reserves when setting the budget, the Section 151 Officer should take account of the strategic, operational and financial risks facing the authority. Accepting that there are still some areas of uncertainty, the level of reserves appears adequate at this point in time and no other changes are currently

recommended, although every effort should be made to increase the level of reserves held as a way of future-proofing against further funding reductions.

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

	Balance projected at 31st March 2019 £
Budget Strategy (Support) Reserve	674,041
New Initiatives Reserve (Transformation)	452,623
Pension and Restructuring Reserve	280,800
	1,407,464

In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years such as the one-off drop in business rates income due to redevelopment, and the delay in securing a revenue stream from the North Place development.

I have reviewed the revenue reserves and propose the transfers as identified in Appendix 6. I also consider that the financial reserves and working balance as proposed in these papers are adequate to fund spending plans for 2019/2020 However, given the uncertainty surrounding the outcome of the Fair Funding Review and the Business Rates Retention reset proposed in 2020, I recommend that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

4. OVERALL CONCLUSION

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

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

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

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

PAUL JONES
Executive Director Finance and Assets (Section 151 Officer)

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NET GENERAL FUND FINAL BUDGET 2019/20

GROUP Projected cost of 'standstill' level of service	2018/19 ORIGINAL £	2018/19 REVISED £	2019/20 ORIGINAL £
Chief Executives Directorate	1,721,359	1,551,335	1,487,229
Finance & Assets Directorate	6,262,145	9,650,685	9,289,791
People & Change Directorate	2,497,956	3,902,169	3,726,409
Place & Growth Directorate	7,231,306	7,376,840	7,026,213
Programme Maintenance	0	0	470,000
Bad debt provision	20,000	20,000	20,000
	17,732,766	**22,501,029**	**22,019,642**
Capital Charges	(1,474,800)	(3,763,856)	(2,959,971)
Interest and Investment Income	(1,650,500)	(1,983,037)	(2,440,827)
Use of balances and reserves	734,196	(1,320,282)	85,925
Savings / Additional income identified - Appendix 5			(1,677,600)
Growth - Appendix 4	0	0	60,000
Use of Budget Strategy Support reserve	(913,058)	(880,986)	(256,082)
NET BUDGET	**14,428,604**	**14,552,868**	**14,831,087**
Deduct:			
National Non-Domestic Rate	(3,303,474)	(3,303,474)	(2,788,856)
National Non-Domestic Rate - 2016/17 surplus / deficit	235,484	235,484	0
National Non-Domestic Rate - 2017/18 surplus / deficit	510,227	510,227	(73,117)
National Non-Domestic Rate - 2018/19 surplus / deficit	0	0	178,287
National Non-Domestic Rates - S31 Grants	(1,474,787)	(1,599,051)	(1,651,218)
New Homes Bonus	(1,754,530)	(1,754,530)	(1,468,797)
Less: Grant allocated to Parishes (council tax support)	5,169	5,169	0
Collection Fund Contribution	(172,000)	(172,000)	(110,500)
	(5,953,911)	**(6,078,175)**	**(5,914,201)**
NET SPEND FUNDED BY TAX	**8,474,693**	**8,474,693**	**8,916,886**
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	43,078.99
Collection Rate %	99.00%	99.00%	99.00%
Net tax base	41,745.20	41,745.20	42,648.20

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PROPOSALS FOR GROWTH **Appendix 4**

Ref	Division	Project Name	Description	2019/20 £	2020/21 £	2021/22 £	Capital Costs 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**	
OTHER SUPPORTED ONE OFF GROWTH							
2	People and Change Directorate	Documentation of the council's Art Gallery & Museum collection in 2019/20	2 temporary documentation officers and ADLIB Licence and other costs required in 2019/20 only, to document the council's Art Gallery & Museum collection, required to retain accreditation of the the Art Gallery & Museum service, managed by The Cheltenham Trust on behalf of the council.	50,000	-	-	
3	People and Change Directorate	City of Light	Feasibility budget to assess using a contemporary and progressive approach, develop a yearly programme of unique events using light and audio visual projections to celebrate aspects of Cheltenham's history and heritage and leisure.	10,000			
				60,000	**0**	**0**	

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SAVINGS STRATEGY			
	2018/19		2019/20
1. Place and Growth			
Transformation of Regulatory & Environmental Services delivery	157,500		50,000
Review of fees & charges and income generation opportunities	50,000		50,000
Car Parking Strategy - volume / price analysis			550,000
Environmental Services efficiencies			200,000
Total	**207,500**		**850,000**
2. People and Change			
Revenues and Benefits restructure	80,000		40,000
L&C Review - trust savings			100,000
Publica savings			39,000
Total	**80,000**		**179,000**
3. Finance and Assets			
Additional Depot rent - Ubico	25,000		
Investment portfolio income generation - direct purchase	50,000		397,600
Local Council Tax Support scheme			40,000
Treasury Management activity	240,000		
LGPS up-front payment discount	114,000		161,000
Municipal offices - Letting of surplus office accomodation space			50,000
Total	**429,000**		**648,600**
4. Use of Reserves			
* Use of Budget Strategy (Support) Reserve	913,058		145,299
Total	**913,058**		**256,082**
Total Identified Savings/Income	**1,629,558**		**1,933,682**

NB: traffic lights denote risk associated with delivery

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PROJECTION OF RESERVES 2019/20

APPENDIX 6

			31st March 2018 £	2018/19 Movement Revenue £	2018/19 Reserve Re-alignment £	2018/19 Movement Capital £	31st March 2019 £	2019/20 Movement Revenue £	Proposals to Support 2019/20 Budget £	31st March 2020 £
	EARMARKED RESERVES	**Purpose of Reserve**								
	Other									
RES002	Pension Reserve	To fund future pension liability	(210,600)	(70,200)			(280,800)	(150,000)		(430,800)
RES003	Economic Development & Tourism Reserve	To fund future economic and tourism studies	(4,200)				(4,200)			(4,200)
RES006	Cultural Development Reserve	To fund future arts facilities/activity	(22,361)				(22,361)			(22,361)
RES008	House Survey Reserve	To fund cyclical housing stock condition surveys	(42,116)	36,500			(5,616)			(5,616)
RES026	Social Housing Marketing Assessment (SHMA) Reserve	To fund Social Housing Marketing Assessment work	(46,034)	32,000			(14,034)	(2,500)		(16,534)
RES009	Twinning Reserve	Twinning towns civic visits to Cheltenham	(8,366)				(8,366)			(8,366)
RES010	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	(137,900)	50,000			(87,900)	50,000		(37,900)
RES014	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	(91,606)	14,500			(77,106)			(77,106)
RES016	Joint Core Strategy Reserve	To fund Joint Core Strategy	(18,780)				(18,780)			(18,780)
RES018	Civic Pride Reserve	To pump prime civic pride initiative / match funding	(196,088)	105,100			(90,988)	90,988		0
RES020	Ubico Reserve	Replacement fund	(94,000)				(94,000)			(94,000)
RES022	Homelessness Reserve	To cover future homelessness prevention costs	(41,100)	35,000			(6,100)			(6,100)
RES023	Transport Green Initiatives Reserve	To fund Transport Green Initiative Schemes	(33,825)				(33,825)			(33,825)
RES024	New Initiatives reserve	To fund 2020 Vision transformation programme	(685,657)	233,034			(452,623)	116,000		(336,623)
RES025	Budget Strategy (Support) Reserve	To support budget strategy	(1,555,027)	880,986			(674,041)		256,082	(417,959)
			(3,187,660)				**(1,870,740)**			**(1,510,170)**
	Repairs & Renewals Reserves									
RES201	Commuted Maintenance Reserve	Developer contributions to fund maintenance	(144,207)	59,000			(85,207)	59,000		(26,207)
RES204	I.T. Repairs & Renewals Reserve	Replacement fund	(37,200)	(50,000)			(87,200)	(50,000)		(137,200)
RES206	Delta Place Reserve	maintenance fund	(200,000)	(100,000)			(300,000)	(100,000)		(400,000)
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	(1,552,905)	566,353		632,982	(353,570)	52,000		(301,570)
			(1,934,313)				**(825,978)**			**(864,978)**
	Equalisation Reserves									
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	(480,100)	(44,183)	200,000		(324,283)	110,687		(213,596)
RES102	Planning Appeals Equalisation	Funding for one off appeals cost in excess of revenue budget	(207,932)				(207,932)			(207,932)
RES105	Local Plan Equalisation	Fund cyclical cost of local plan inquiry	(107,230)				(107,230)			(107,230)
RES106	Elections Equalisation	Fund cyclical cost of local elections	(195,487)	70,000			(125,487)	(62,100)		(187,587)
RES107	Car Parking Equalisation	To fund fluctuations in income from closure of car parks	(330,000)	(400,000)		400,000	(330,000)			(330,000)
RES108	Business Rates Retention Equalisation	To fund fluctuations in income from retained business rates	(767,425)	362,254			(405,171)			(405,171)
RES109	Cemetery income Equalisation reserve	Additional Crematoria income to 2nd chapel build scheme	(373,550)	62,600			(310,950)			(310,950)
			(2,461,724)				**(1,811,053)**			**(1,762,466)**
	Reserves for commitments									
RES301	Carry Forwards Reserve	Approved budget carry forwards	**(308,324)**	308,324			**0**			**0**
	CAPITAL									
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	**(228,767)**	(200,000)		183,000	**(245,767)**	(200,000)		**(445,767)**
	TOTAL EARMARKED RESERVES		**(8,120,788)**				**(4,753,538)**			**(4,583,381)**
	GENERAL FUND BALANCE									
B8000 - B8240	General Balance - RR	General balance	(1,408,591)	250,000	(200,000)		(1,358,591)			(1,358,591)
			(1,408,591)				**(1,358,591)**			**(1,358,591)**
	TOTAL GENERAL FUND RESERVES AND BALANCES		**(9,529,379)**	**2,201,268**	**0**	**1,215,982**	**(6,112,129)**	**(85,925)**	**256,082**	**(5,941,972)**

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Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2018/19 £	Revised Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
		CHIEF EXECUTIVE					
CAP128	C	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**	**-**	**-**
		FINANCE & ASSET MANAGEMENT					
		Property Services					
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	-	-	-
		Financial Services					
CAP010	GCR	GO ERP	Development of ERP system within the GO Partnership	-	14,700	-	-
				21,525,000	**43,682,701**	**-**	**-**
		PEOPLE & CHANGE					
		Leisure & Culture					
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 spashpad area scheme, in partnership with the Cheltenham Trust	-	2,169,197	-	-
		ICT					
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	-	-
		Revenues & Benefits					
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**
		PLACE & GROWTH					
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 pestrianised area	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone	-	34,832	-	-
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	-	-

Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2018/19 £	Revised Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
CAP201	GCR	CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	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. Funded from capital reserve.	-	28,000	-	-
CAP507	C	Changing Places	Two changing room accessable toilets in the town centre	-	136,000	-	-
		Housing					
CAP221	BCF	Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.	500,000	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	-	-	-
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	-	-
		Parks and Gardens					
CAP101	S106	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	-
		Waste & Recycling					
CAP301	PB/GCR	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	-	-
				1,695,000	**11,298,193**	**2,707,000**	**1,008,800**
		BUDGET PROPOSALS FOR FUTURE CAPITAL PROGRAMME:					
	GCR	Town Hall redevelopment (£1.8m)	Subject to Council approving a detailed scheme and a business case				
	GCR	Public Realm improvements (£1.8m)	Pending the completion of the Cheltenham Transport Plan process				
		TOTAL CAPITAL PROGRAMME		**23,320,000**	**57,834,717**	**2,807,000**	**1,108,800**

		Funded by:					

Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2018/19 £	Revised Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
	BCF	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		-	632,982	-	-
	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	4,328,670	1,844,000	558,800
	PB	Prudential Borrowing		413,000	50,485,223	413,000	-
	R	Revenue (RCCO) / other revenue reserves		-	405,000	-	-
	C	GF Capital Reserve		-	183,000	-	-
				23,320,000	**57,834,717**	**2,807,000**	**1,108,800**

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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 perimitors		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		
Sub Totals:		£ 56,000	£ 544,000	£ -	**£ 600,000**

Total of Priority 1's 2's & 3's:	**£ 600,000**

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CHELTENHAM
BOROUGH COUNCIL

INVESTORS IN PEOPLE

Pay Policy Statement

For all Employees at

Cheltenham Borough Council

2019-2020

Title: Pay Policy Statement
Issued by: **Publica HR Team on behalf of CBC**
First Issued: 31 March 2012 **last updated**: February 2018 **next update:** February 2019

1. Purpose

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

1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the Pay of its workforce for the financial year 2019-2020, in particular: -

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

2. Definitions

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

- **Chief Officers** as detailed in paragraph 7.1 of the document.
- **Lowest paid employees** of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1st April 2019 the Grade A band will be from £17,364 to £17,712 per annum, made up of 2 incremental pay points after the adjustment to SCP from 1st April 2019 – lowest point equal to the Real Living Wage of £9.00.
- **Employees who are not Chief Officers** - refers to all staff not covered under the Chief Officer group detailed above.

3. Pay Framework & Remuneration Levels

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

4. Responsibility for Decisions

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

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

- Chief Executives - Joint Negotiating Committee for Local Authority Chief Executives (ALACE is normally the negotiating body for pay, unless varied locally);
- Chief Officers – Joint Negotiating Committee for Chief Officers of Local Authorities
- All other employees – National Joint Council for local Government Services.

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

- Pension
- Occupational Sickness Scheme
- Maternity Scheme
- Overtime

5. Grading Framework & Salary Grades

5.1. Grading Framework

The Chief Executive and Chief Officers have their basic pay determined by a job evaluation scheme (the Hay scheme).

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

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

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

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

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

5.2. Shared Posts/Lead Employer

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

5.3. Salary Grades

A full list of the Council's salary grades and associated spinal column pay points can be found in Appendix A. NJC have this year amended the SCP's and a number have been deleted within Grades A-C, but Grades D-F had SCP's added – all shown in Appendix A.

6. Electoral Registration and Returning Officer

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

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

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

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

7. Remuneration - level & element

7.1 Chief Officers (Pay award Pending - figures as at 2018/2019)

Chief Executive	Director Level Band 1	£105.000 - £115,000 p.
Managing Director/Executive Directors	Director Level Band 3	£68,427 - £80,236 p.a.
Director	Director Level Band 4	£57,443 - £65,536 p.a.

7.2. Non Chief Officers

Employees	11 Grades A to K (see appendix A)

7.3. New Starters Joining the Council

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

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

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

7.3. Lowest Paid Employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices)

who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1st April 2019 the Grade A band will be from £17,364 to £17,712 per annum, made up of 2 incremental pay points – with the lowest point being the same as the Real Living Wage of £9.00 a hour.

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

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

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

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 1st April 2019 the current ratio of *highest paid to lowest paid is 1:7 The ratio between the *highest paid salary and the median paid salary of the Council's workforce is 1:4.

Lowest Paid Employee (Top of current salary band Grade A)	£17,712
Mean Paid Employee (Average salary band of all employees up to & including Chief Officers)	£32,029
(Middle Salary band value of all employees up to & including Chief Officers)	£26,999
Highest Paid Employee	£111,800

7.5. Bonuses

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

7.6. Performance Related Pay

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

7.7. Pay Protection

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

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

7.8. Severance Payments

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

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

The amount of redundancy pay will be calculated as –

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

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

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

7.9. Settlement Agreements

In exceptional circumstances to avoid or settle a claim or potential dispute, the Council's Head of Paid Service may agree payment of a settlement sum on termination.

All cases must be supported by a business case and take account of all legal, financial, contractual and other responsibilities. The level of payment will be taken on the individual merits of the case and in consultation with the HR Manager/Head of HR and the Executive Director of Finance and Assets.

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

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

http://www.lgps.org.uk

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

http://www.gloucestershire.gov.uk

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

The LGPS provides for the exercise of discretion that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that it does not

normally enhance pension benefits for any of its employees (see the LGPS Statement of Policy/Discretions on the Council's website). This policy statement reaffirms this in respect all employees.

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

7.11. Early/Flexible Retirements

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

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

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

7.12. Honorarium Payments

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

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

Or

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

7.13. Acting up Allowances

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

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

7.14. Market Forces Supplement

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

In exceptional circumstances it may be necessary to ensure the effective recruitment and retention of employees and to pay individuals and/or groups of employees a premium rate to reflect the market competitiveness of the job. Any market supplement must be provided for from

within existing budgets and be objectively justifiable. The job evaluation determined grade for that post will not be changed. Market supplements will be paid as a temporary fixed allowance. The supplements will be reviewed bi–annually and consequently can be withdrawn, should the review demonstrate that current evidence does not justify a supplementary payment continuing. Should such a supplement continue to be paid for an extended period, e.g. several years or more, the need for continuation will be examined carefully during the annual review in order to ensure that such continuation continues to be objectively justifiable in the circumstances.

8. Reimbursement of Expenses

8.1 Travel & Subsistence

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

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

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

8.2 Disturbance Allowance

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

8.3. Relocation Expenses

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

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

8.4. Professional Fees & Subscriptions

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

9. Re-employment of Former Council Employees

With regards to re-employing former local government employees who have been made redundant, in line with LGA guidance **if there is less than a 4 week gap between the date the employee was made redundant from the Council/a body under the modification order and the date of joining/re-joining a Council the employee will be required to repay their redundancy payment to their previous employer as continuity of service will be protected and their employment classed as continuous.** If the gap is longer than 4 weeks the employee

can retain their payment as continuity of service will have been broken and continuous service will not be protected.

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

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

11. Trade Union Recognition and Facility Time

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

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

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

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

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

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

12. National Minimum Wage/Living Wage

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

The NMW rates from 1 April 2019 are:

- £7.70 (per hour) for workers 21 years of age and over
- £6.15 (per hour) 18 - 20 years of age

- £4.35 (per hour) for 16-17 years of age, who are above school leaving age but under 18 years of age

The National Living Wage

From **1 April 2019** all workers aged 25 and over are legally entitled to at least £8.21 an hour

The Council's comparative hourly rate is Grade A SCP 7 - £9.00.

Grade A is used as a stepping stone grade from Apprentice to Trainee role. The employees on Grade A are usually under 21. The majority of the Council's employees are on Grade C SCP 14 £9.74 and above.

The UK Living Wage

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

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

The Living Wage rates for 2019 are:

- £9.00 (per hour) UK rate outside London
- £10.55 (per hour) UK rate for London

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

13. Other operational/non-operational pay and conditions

Other pay and conditions in operation, as follows:

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

14. Publication and access to information

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

Appendix A

Cheltenham BoroughCouncil

New pay scales following pay award April 2019

Updated April 2019

Payroll SCP GRADE	Payroll GRADE	New NJC SCP	New Annual Salary April 2019	MONTHLY SALARY	WEEKLY Weekly RATE 37 hr week	HOURLY Hourly RATE 37 hr week	JE Points Score
LW	**Living Wage**		**£17,364**	**£1,447.00**	**£333.01**	**9.00**	
006	Grade A		**Deleted**	£0.00	£0.00	£0.00	0-294
007	Grade A	1	**£17,364**	£1,447.00	£333.01	9.00	
008	Grade A		**Deleted**	£0.00	£0.00	£0.00	
009	Grade A	2	**£17,711**	£1,476.00	£339.69	9.18	
010	Grade B		**Deleted**	£0.00	£0.00	£0.00	295-344
011	Grade B	3	**£18,065**	£1,505.42	£346.46	9.36	
012	Grade B		**Deleted**	£0.00	£0.00	£0.00	
013	Grade B	4	**£18,426**	£1,535.50	£353.38	9.55	
014	Grade C		**Deleted**	£0.00	£0.00	£0.00	345-394
015	Grade C	5	**£18,795**	£1,566.25	£360.46	9.74	
016	Grade C		**Deleted**	£0.00	£0.00	£0.00	
017	Grade C	6	**£19,171**	£1,597.58	£367.67	9.94	
018	Grade D	7	**£19,554**	£1,629.50	£375.01	10.14	395-444
019	Grade D	8	**£19,945**	£1,662.08	£382.51	10.34	
020	Grade D	9	**£20,344**	£1,695.33	£390.17	10.54	
020/2	Grsade D	10	**£20,751**	£1,729.25	£397.97	10.76	
021	Grade D	11	**£21,166**	£1,763.83	£405.93	10.97	
022	Grade E	12	**£21,589**	£1,799.08	£414.04	11.19	445-494
022/2	Grade E	13	**£22,021**	£1,835.08	£422.33	11.41	
023	Grade E	14	**£22,462**	£1,871.83	£430.79	11.64	
024	Grade E	15	**£22,911**	£1,909.25	£439.40	11.88	
024/2	Grade E	16	**£23,369**	£1,947.42	£448.18	12.11	
025	Grade E	17	**£23,836**	£1,986.33	£457.14	12.35	
025/2	Grade E	18	**£24,313**	£2,026.08	£466.28	12.60	
026	Grade F	19	**£24,799**	£2,066.58	£475.61	12.85	495-544
027	Grade F	20	**£25,295**	£2,107.92	£485.12	13.11	
027/2	Grade F	21	**£25,801**	£2,150.08	£494.82	13.37	
028	Grade F	22	**£26,317**	£2,193.08	£504.72	13.64	
029	Grade F	23	**£26,999**	£2,249.92	£517.80	13.99	
030	Grade G	24	**£27,905**	£2,325.42	£535.17	14.46	545-594
031	Grade G	25	**£28,785**	£2,398.75	£552.05	14.92	
032	Grade G	26	**£29,636**	£2,469.67	£568.37	15.36	
033	Grade G	27	**£30,507**	£2,542.25	£585.08	15.81	
812	Grade H		**£31,170**	£2,597.50	£597.79	16.16	595-644
813	Grade H		**£32,380**	£2,698.33	£621.00	16.78	
814	Grade H		**£33,589**	£2,799.08	£644.18	17.41	
815	Grade H		**£34,794**	£2,899.50	£667.29	18.03	
722	Grade I		**£35,489**	£2,957.42	£680.62	18.39	645-694
723	Grade I		**£36,860**	£3,071.67	£706.92	19.11	
724	Grade I		**£38,248**	£3,187.33	£733.54	19.82	

725	Grade I		**£39,621**	£3,301.75	£759.87	20.54	
632	Grade J		**£40,256**	£3,354.67	£772.05	20.87	695-744
633	Grade J		**£41,949**	£3,495.75	£804.51	21.74	
634	Grade J		**£43,642**	£3,636.83	£836.98	22.62	
635	Grade J		**£45,345**	£3,778.75	£869.64	23.50	
542	Grade K		**£46,226**	£3,852.17	£886.54	23.96	745 +
543	Grade K		**£48,313**	£4,026.08	£926.57	25.04	
544	Grade K		**£50,388**	£4,199.00	£966.36	26.12	
545	Grade K		**£52,471**	£4,372.58	£1,006.31	27.20	

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For more information about this Statement and/or its content please contact the Publica HR Manager (acting on behalf of the Council) on

01242 264355 or email HR@cheltenham.gov.uk

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

Medium Term Financial Strategy

2019/20 to 2022/23

CHELTENHAM
BOROUGH COUNCIL

Follow our progress:
www.cheltenham.gov.uk

Introduction

The council's corporate plan 2019-2022 sets out 5 key priorities for the council:

- We will work toward making Cheltenham the Cyber Capital of the UK; a national first, which will deliver investment in homes, jobs, infrastructure and enable the Council to deliver inclusive growth for our communities.
- Deliver a number of Town Centre and wider public enhancements that will continue the revitalisation the town ensuring its longer-term viability as a retail and cultural destination.
- Deliver enhancements to our environmental services and develop the way we commission these services.
- We will be seeking new opportunities to bring in additional resources e.g. introduction of Cheltenham lottery as well as leveraging more value from our assets and commissioned providers to deliver our £100m housing investment plan.
- Improve the way services and information are accessed by residents and businesses by maximising new technology opportunities and different ways of working the outcome of which will contribute towards our financial self-sufficiency.

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

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

The council's external auditor, Grant Thornton, undertakes a Value for Money review each year which assesses the council's finances against National Audit Office (NAO) guidance. This guidance states, that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place. The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people." This is supported by three sub-criteria; informed decision making, sustainable resources deployment and working with partners and other third partners.

In order to achieve an unqualified value for money conclusion, the external auditor will focus their findings based on the council having robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future which is demonstrated by the MTFS. Grant Thornton's audit findings for 2017/18 including value for money assessment can be found at:

cheltenham.gov.uk/audit-report

The Housing Revenue Account (HRA) is not included, as a separate budget and Business Plan is produced for the HRA to cover its planning processes.

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
- have a strong customer and community ethos
- which are flexible and drive out as much as efficiency as possible.

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.

Our Current Business Model

2019/20 - Gross Expenditure

£21 Million
DIRECTLY PROVIDED

Community Welfare & Safety
Economic Development, Regeneration & Tourism
Planning
Housing Enabling
Revenues & Benefits
Asset Management
Elections & Democratic processes
Bereavement Services
Car Parking
Strategy & Communications
Support Services

£14 Million
PROVIDED BY CONTRACTORS JOINTLY OWNED BY CBC

Waste & Recycling
Parks & Grass verges
Street Cleaning
Public Conveniences
Leisure & Culture
Housing Options
Finance & Procurement
Human Resources & Payroll
ICT & Telecommunications
Internal Audit & Fraud

£1 Million
SHARED WORKING

Legal Services
Building Control

£0.2 Million
JOINT WORKING

Joint Core Strategy
Development Task Force
Strategic Planning

Contents

The purpose of this document is to produce a robust and thoughtful MTFS which captures the growing needs and continuing aspirations of the council during a period of prolonged public spending austerity and the following areas are considered and discussed:

Section 2
NATIONAL AND LOCAL FINANCIAL RISKS

Section 3
CURRENT FINANCIAL BUDGET GAP

Section 4
RESERVES STRATEGY

Section 5
SAVINGS STRATEGY

2. National and Local Financial Risks

INTRODUCTION

2.1 - The Council is operating in a challenging and uncertain economic environment. As the Government continues to negotiate the country's exit from the European Union, the financial impact of Brexit on the country and on local government is unknown, but potentially significant in terms of legislation, inflation, interest rates and economic growth.

"The Council is operating in a challenging and uncertain economic environment."

2.2 - The impact on the UK economy may affect aspirations for the Government's deficit reduction programme, despite the notion that the Government has stated that austerity is over, and therefore the amount of funding available to local government. The political situation is also complicated by the general election held in June 2017 that saw the Government's parliamentary majority eroded.

2.3 - Economic growth in the UK slowed in the three months to November 2018, expanding at its weakest pace in six months. The economy grew by 0.3% during the period, less than the 0.4% in the three months to October 2018. Inflation is also marginally higher than the Government benchmark of 2%, with inflation in December 2018 measured at 2.1% (Consumer Price Index). The unemployment rate however is at an all-time low of 4.0% as at Quarter 2 2018.

2.4 - The state of the UK economy will influence the amount of taxation income available to the Government and also the cost of income-based benefits and social support. This in turn can influence the national deficit reduction strategy of the Government and the balance of funding available to local government.

2.5 - The MTFS for 2019/20 to 2022/23 recognises the significant changes to the national funding system as well as locally driven cost pressures and political choices. It has therefore taken a risk based approach in reviewing the financial pressures facing the council and how they should be mitigated across the medium term.

2.6 - The Council will no longer receive Revenue Support Grant funding from the Government from 2019/20 and will have to rely on income generated in the Borough to fund services. The final year of the existing four-year settlement was anticipating the introduction of a Tariff Adjustment for the first time which for Cheltenham amounted to £391,000 and had been referred to as negative Revenue Support Grant. The provisional finance settlement has removed this concept, to the benefit of Cheltenham taxpayers, but there remains a risk that this could be revisited under the fair funding review post 2020.

"The Council will no longer receive Revenue Support Grant funding from the Government from 2019/20 and will have to rely on income generated in the Borough to fund services."

2.7 - The National Fair Funding Review (FFR) is reviewing the underlying needs formula and distribution methodology used for assessing need and allocating funding to Local Government as the formula has not been reviewed since 2013. The Ministry of Housing, Communities and Local Government (MHCLG) are looking for a formula based model with common cost drivers such as population, accessibility and remoteness with the principles of being simple, transparent, contemporary, sustainable, robust and stable.

2.8 - The intention is for each local authority to be set a new baseline funding allocation based on an assessment of relative needs and taking into account the relative resources of local authorities. The timeline for its introduction is 2020 and the government are committed to putting in place transitional arrangements to 'smooth' the impact.

"The government is working on the principles that there will be no redistribution of council tax or fees and charges between authorities and they do not intend to reward or penalise authorities for exercising local discretion."

2.9 - In assessing relative resources, the government is working on the principles that there will be no redistribution of council tax or fees and charges between authorities and they do not intend to reward or penalise authorities for exercising local discretion. The government therefore intends to use a notional council tax level rather than the actual council tax level, which will determine whether a council's share of total need is higher than its share of taxbase.

2.10 - Whilst the bulk of fees and charges are raised at cost recovery levels for services delivered, the government are reviewing on-street and off-street car parking as it is considered that in some areas an authority's income from these fees and charges generates a surplus. As a result, there remains a risk that Cheltenham could be penalised through a relative resources adjustment in respect of its car parking revenues. This is embedded within the governments principles of the FFR that Local authorities with a lesser capacity to fund services through locally raised resources will receive a smaller reduction to their relative needs share.

BUSINESS RATES RETENTION

2.11 - Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile. The Retained Business Rates scheme places considerable financial risk on the Council in terms of fluctuating business rates and funding the costs of business rate appeals, which directly affect the income that the Council can recognise. Alongside the FFR, the government is also consulting on how the new scheme post 2020 can continue to reward and incentivise growth, whilst mitigating the risk of appeals. The current thinking is to introduce a 'floating' tariff / top-up system which will result in a recalibration to take account of appeals.

"Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile."

2.12 - Under the current system roughly £13bn per year of business rates income is kept by Central Government to fund local authority services. This is referred to as the "Central share" and is redistributed to councils in the form of Revenue Support Grant (RSG) and other grants including New Homes Bonus (NHB). In future, if this sum is retained by local authorities, new burdens of a broadly similar value will be passed across to local government. As a result local government will not initially have more funding; over the longer term this will depend on whether business rates grow faster or slower than local authority service demands and costs, and to add further complication will depend on where the revised business rates baseline is set for the council from 2020/21.

2.13 - The council's MHCLG set business rates baseline is £2.796m whilst, as a result of economic growth, £4.292m is now forecast to be generated and support the base budget in 2019/20. It is proposed that the new baseline will be set taking into consideration business rates income retained in 2018/19 and this will be compared to the reassessed needs of the Borough resulting in either a top-up or tariff to manage the difference between the two. If Cheltenham's baseline goes up then in order to retain any additional income the level of growth will need to increase.

2.14 - Growth will be calculated as business rates income in excess of the revised baseline and will continue to be shared with the upper tier authority; the split of which is yet to be determined and forms part of the current MHCLG thinking on Business Rates Retention.

2.15 - Whilst it is proposed that levies on growth will no longer exist under the new system (the cost of which had been mitigated through the establishment of the Gloucestershire Business Rates Pool) it is likely that some form of safety net will remain in place, and as a result councils will be subject to local volatilities within its own economies.

"Moving to a 75% retained system means more risk transfers to local government"

2.16 - In previous years, local authorities have been funded through a mixed structure of grant e.g. RSG and locally driven income e.g. council tax and business rates which provided some mitigation of risk. Moving to a 75% retained system means more risk transfers to local government and as such individual councils must assess their level of risk and make appropriate contingency plans to manage the potential costs of the changing system and furthermore the local fluctuations in business rates revenue over time.

NEW HOMES BONUS (NHB)

2.17 - There have long been concerns as to the sustainability of this funding stream, and in 2017/18 the Government changed the calculation for the award of the grant. Prior to 2017/18 the grant comprised six annual tranches, reducing to five in 2017/18 and four thereafter. A baseline of 0.4% housing growth was introduced under which no New Homes Bonus grant is paid.

MHCLG recently consulted on further proposed changes to the current New Homes Bonus scheme which is intended to incentivise house building within local authority boundaries and may include an increase in the baseline target although the scheme has remained unchanged in 2019/20.

2.18 - It is likely that further changes will be implemented post 2020 although NHB is not currently included as an element of the FFR. It is this Council's belief that NHB in its current format, does not equate to the needs of the authority and the Council will continue to lobby on this front.

COUNCIL TAX

2.19 - Council tax is considered an increasingly important mode of local government financing by Central Government. This is reflected in the decision to allow districts to increase council tax by £5 per annum or up to 2.99%, whichever is higher. Current projections also assume growth in the taxbase of 0.80% per annum.

"Council tax is considered an increasingly important mode of local government financing by Central Government."

2.20 - The assumptions were made by the Government when establishing the reduction in RSG linked to the level of council tax base growth; however, locally the council will need to consider what levels of growth are likely and financially sustainable.

2.21 - Furthermore, there is a corresponding cost to increasing the tax base with additional properties and residents to service which needs to be recognised and captured at certain steps or "trigger" points e.g. refuse / recycling collections. Council tax revenue appears to be being seen nationally as a future "cash cow" and it may be possible that the current limits in increases are raised, particularly given the likelihood of further funding cuts.

FEES AND CHARGES

2.22 - A significant proportion of the council's funding comes from fees and charges. This is fast becoming an ever more important funding mechanism and one which is within the council's gift to control, subject to any legislative, economic or political constraints.

"A significant proportion of the council's funding comes from fees and charges."

2.23 - However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how "recession-proof" an income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising in a recession.

RECESSION

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

RESOURCES

2.25 - Concerns around the council's capacity and resources available to deliver multiple competing priorities has been raised and this is a key consideration for the Executive Leadership Team and Cabinet when determining their priorities and the delivery of the proposed Savings Strategy. In particular, there will be a necessity to both realign base budgets and make one-off budgetary provision to support the delivery of priority schemes being supported and delivered. This specifically relates to the delivery of major growth, public realm and infrastructure schemes which will be crucial to the delivery of the council's Savings Strategy.

2.26 - The key risk is that if resource is not deployed to allow focus on the schemes which are of financial importance to the council the proposed Savings Strategy will not be delivered within the timescales required, resulting in a less managed response to funding cuts set down by central government.

3. Current Financial Budget Gap

INTRODUCTION

3.1 - The MTFS develops a series of financial projections to determine the longer term financial implications, in order to deliver the council's aims. As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability which determines the funding gap. The package of measures required to equalise the two calculations forms the "Savings Strategy" identified in section 5.

3.2 - The projection of the funding gap is shown in Table 1 below:

Table 1: Projection of Funding Gap	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		15,341,662	15,087,169	14,829,669	14,526,669
IN YEAR BUDGET VARIATIONS					
Increased costs of existing services					
General Inflation		149,998	65,000	65,000	65,000
Employee and Members related expenditure		188,963	177,000	177,000	177,000
Shared Services contract inflation		25,000	19,000	19,000	19,000
Publica contract inflation		30,000	31,000	32,000	33,000
Ubico contract inflation		865,200	150,000	150,000	150,000
Contract costs - waste transfer		50,000			
Pension costs - 2016 Revaluation		401,000			
Pension costs - 2019 Revaluation			200,000	200,000	200,000
External audit fees		(14,200)			
Revenue savings from new Crematoria		(27,200)			
GROWTH - ONE - OFF		60,000	(60,000)		
INCOME					
Green Waste		(64,200)	(11,000)	(11,000)	(11,000)
Trade Waste		(12,700)			
Cemetery & Crematorium		(43,189)	(35,000)	(35,000)	(35,000)
Sponsorship (roundabouts)		(6,024)			
Charges to other clients (TCT, CBH and Ubico)		(13,000)			
Recycling income		(109,700)			
Ubico finance lease interest		(36,000)			
Minimum Revenue Provision and Interest Payable		(133,095)			

Table 1: Projection of Funding Gap	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
RESERVES					
Net Contribution from BRR Reserve		112,254			
SAVINGS STRATEGY					
Place and Growth		(850,000)	(350,000)	(450,000)	(550,000)
People and Change		(179,000)	(193,500)	(200,000)	
Finance and Assets		(648,600)	(250,000)	(250,000)	(800,000)
Projected Net Cost of Service	**15,341,662**	**15,087,169**	**14,829,669**	**14,526,669**	**13,774,669**
Government Grant support (RSG)	0	0	0	0	0
Business Rates	(3,303,474)	(2,195,963)	(3,000,000)	(3,400,000)	(3,800,000)
Business Rates pooling surplus contribution	0	(550,000)			
Business Rates S31 Grants	(1,474,787)	(1,651,218)			
Business Rates - 2016/17 (surplus) / deficit	235,484				
Business Rates - 2017/18 (surplus) / deficit	510,227	(73,117)			
Business Rates - 2018/19 (surplus) / deficit		178,287			
New Homes Bonus	(1,754,530)	(1,468,797)	(900,000)	(700,000)	(200,000)
Parish Council Tax Support Funding	5,169				
Collection Fund surplus contribution	(172,000)	(110,500)	(50,000)	(50,000)	(50,000)
Business Rates Retention Levy surplus	0	(42,893)	0	0	0
Council tax income assuming council tax increases by £5 per annum from 2017/18	(8,474,693)	(8,916,886)	(9,258,867)	(9,613,326)	(9,980,705)
Contribution to / (from) Budget Strategy support reserve	(913,058)	(256,082)	(1,620,802)	(763,343)	256,036
Projected Funding	**(15,341,662)**	**(15,087,169)**	**(14,829,669)**	**(14,526,669)**	**(13,774,669)**

3.3 - The projections above reflect a funding gap for the period 2020/21 to 2022/23 of £2.787m (i.e. the financial gap between what the council needs to spend to maintain existing services and the funding available excluding the use of the Budget Strategy Support Reserve). The key assumptions for the preparation of these projections are explained on the next page.

3.4 - The net costs of services have been estimated by using the approved 2018/19 base budget as the base for future projection's though to 2022/23.

3.5 - This has included general inflation at 2% on insurances, utilities, postage, IT maintenance agreements and 3% for non-domestic rates. Where information is available, major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement. Historically, annual premises repairs and maintenance budgets have not been inflated which has resulted in increased pressure to be able to maintain and run the council's buildings within budget each year as prices continue to rise. To address this, inflation at 2% has been included in each of the years within the MTFS.

3.6 - An inflationary increase of 2.5% on shared service contracts has been included to take account of the increase in staff costs incurred in employing councils which will be recharged to the council.

3.7 - 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.

EMPLOYEE RELATED COSTS

3.8 - On 5th December 2017, the National Employers made a final pay offer covering the period April 2018 to March 2020. The offer comprised a flat rate increase of 2% for the next two financial years with some bottom-loading on the lower pay points in order to continue to close the gap with the National Living Wage (NLW). For budget modelling, a 2% increase has been assumed throughout the duration of the MTFS post 2020.

"For budget modelling, a 2% increase has been assumed throughout the duration of the MTFS post 2020."

3.9 - The net cost of service assumes an employee turnover saving of £372k per annum by the Council, which equates to 5.52% of base salary budget. This is allocated across service areas according to headcount and gives managers clear cash targets within which they have to manage.

3.10 - The Council is part of the Gloucestershire Pensions Fund, which is administered by Gloucestershire County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary. The triennial revaluation of the Fund based on the position as at 31st March 2016, found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.

3.11 - Contribution rates are calculated on an individual basis for each participating employer. For the Council's element of the fund, the funding level was assessed at 65% (compared with 60% in 2013), with a shortfall of £38.998m. The fund actuary is aiming for this deficit to be recovered over a 17 year period, giving the following target contribution rates for the Council for this three-year valuation period:

- a 18.3% future service rate which should cover the liabilities scheme members will build up in the future, plus

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

3.12 - The Chief Finance Officer requested analysis from the actuary to explore the cash flow benefit to the council in making the required secondary sum payments to the Local Government Pension Scheme (LGPS) as a pre-payment for future year liability i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment. Previously monthly contributions were paid to the pension fund, however, a prepayment of £7.473 million was made in January 2018, generating a base budget saving of £275k over the final two years of the three year actuarial cycle.

3.13 - An increase of 2% per annum has been assumed on members' allowances, in line with the anticipated employee annual pay award. This inflation is included within staff costs and totals c. £7k per annum.

FEES AND CHARGES

3.14 - In previous years, a general assumption for a 2% increase in non-statutory fees and charges has been factored in. However, this has resulted in an increasing necessity to freeze prices within certain service areas that would be detrimentally impacted as a result either through local pressures or as a result of national legislative requirements.

The MTFS no longer assumes a 2% inflationary increase

3.15 - Rather than continue with this approach, the MTFS no longer assumes a 2% inflationary increase but instead has opted for a fundamental year on year review of fees and charges to ensure they consider the costs of service provision, legislative requirements and competitive pricing structures.

RETAINED BUSINESS RATES

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

3.17 - In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the government levy from 50% to 15.32%. Any surpluses generated by the Pool are allocated in accordance with the governance arrangements agreed by the Gloucestershire councils.

"There is a high level of volatility in the business rates system"

3.18 - There is a high level of volatility in the business rates system, mainly due to the level and impact of appeals lodged against rateable values but also due to the natural turnover of businesses, properties being left empty or demolished and the increasing trend for commercial properties to be converted into domestic dwellings. Changes to the value of businesses can have a significant impact upon the business rates collected. These factors make it difficult to predict the level of income the Council can retain in the future. Previously, for modelling purposes growth of 3% against the baseline has been predicted. Additional work has been undertaken to gather intelligence available about any growth or decline in the business rate property base and forecast the level of business rates income over the next 3 years. There is still a degree of uncertainty as forecasting is based on high level information and it is not until the Valuation Office Agency visits a completed building that a final rateable value is known. The estimated timing for new, redeveloped or demolished premises may also be incorrect.

NEW HOMES BONUS *(NHB)*

3.19 - The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This now provides match funding of £1,671 for each new property for four years (based on national average for band D property – i.e. £6,684 per dwelling over four years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).

3.20 - Councils are free to spend the Bonus as they choose, including on front-line services and keeping council tax low. Funding is split 80:20 between district and county authorities.

Councils are free to spend the Bonus as they choose

3.21 - The Council now includes 100% of its New Homes Bonus funding within base budget equating to £1.468m in 2019/20 under the current methodology.

COUNCIL TAX

3.22 - Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates. This is assessed annually and an estimate of £50k per annum has been assumed for the period covered in this MTFS with the exception of 2019/20 which has been calculated based on data held.

3.23 - The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The Council's taxbase is forecast to increase by 0.80% each year for the purposes of modelling the MTFS and a council tax increase of 2.99% per annum is assumed from 2019/20.

FUNDING GAP

3.24 - Given the expectations on councils to make a significant contribution to reducing the national budget deficit, this Council faces a significantly more challenging financial position in the early years of the MTFS. The latest projections indicate a gap of £2.787m for the period 2020/23 to 2022/23, primarily as a result of the baseline funding allocation reset proposed in 2020 whereby the growth generated from business rates since 2013/14 will be redistributed based on need under the fair funding review.

3.25 - To enable time to deliver such a significant savings target over the period to 2022/23, to mitigate the financial risks captured in section 3 and to smooth out fluctuations in income levels a robust Reserves Strategy is required to supplement and support the Savings Strategy.

"A robust Reserves Strategy is required to supplement and support the Savings Strategy."

4. Reserves Strategy

INTRODUCTION

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

4.1 - The council is aspirational and horizon scanning in the approach it takes to delivering its services, and supporting those it works with in partnership to ensure Cheltenham is a vibrant and desirable place to live, work and invest. As a result, when funding has become available either through budget underspends or one-off funding, a strategy of utilising opportunities for improving and investing in the town has been followed.

4.2 - However, recognising the change in the council's short to medium term finances has required an alternative approach to be taken over the next few financial years with a focus on delivering services within approved budgets and enhancing the council's reserves to ensure it is able to meet any unforeseen costs in the future and also mitigate known risks and forecast cost pressures, particularly those arising from changes in the way local government is financed post 2019/20. This was also reflected in the recent peer review whereby they recommended we review inherent financial risks and build levels of reserves to withstand future uncertainty.

BUDGET STRATEGY SUPPORT RESERVE *(BSSR)*

4.3 - As part of the 2016/17 budget setting process, the Budget Strategy Support Reserve (BSSR) was established to provide greater resilience and time for the council to embed its savings strategy and allow for slippage in savings delivery.

4.4 - The BSSR will need to be suitably resourced to not only mitigate any delay in the delivery of savings but also be robust enough to support any reported slippage during the MTFS period.

4.5 - The Savings Strategy detailed in Section 6, identifies a need to fund £2.128m from the Budget Strategy Support Reserve in addition to the £256k used to support the 2019/20 budget, a total need of £2.384m.

BUSINESS RATES RETENTION RESERVE *(BRRR)*

4.6 - The move to 75% locally driven funding following the introduction of 75% Business Rates Retention will build in an increased risk of volatility in the council's financial planning. This needs to be appropriately managed and understood by the organisation as full reliance will be placed on the performance of the local economy with a drop in business rates income having the potential to force service re-prioritisation.

4.7 - The BRRR should aim to be maintained to a target of £500k to allow for the potential reduction in income arising from the risks as identified. There is currently £150k in general balances specifically to cover fluctuations arising from pooling arrangements together with £400k projected to be held in the BRRR at 31st March 2020. The council is already mitigating fluctuations in income levels arising from changes in the local economy and moving forward will face even greater exposure to such volatilities under the reformed retention system.

4.8 - Any Collection Fund and Pool surpluses over and above those assumed in the Savings Strategy should be earmarked for the BRRR to ensure a base level of reserve is in place in advance of the implementation of 75% Business Rates Retention.

GENERAL BALANCES

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

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

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

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

5. Savings Strategy

INTRODUCTION

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

5.2 - 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.

"The Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set"

5.3 - 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.

5.4 - 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.

"The budget strategy looks inwards at service transformation and modernisation"

5.5 - 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.

5.6 - 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".

5.7 - 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

"Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns."

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.

"Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation."

5.8 - 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

A "place where everyone thrives".

5.9 - 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".

5.10 - 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.

5.11 - 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.

"A new approach to service delivery"

The new approach has enabled the delivery of Marketing Cheltenham (officially launched in Nov 2017), the creation of a business support team, an intern programme and the delivery of an agile working project. The programme will continue to drive the savings targets whilst delivering priorities and service improvements.

5.12 - Following the change in approach to income inflation for fees and charges within the forecast for the funding gap, a 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.

"Cheltenham is uniquely placed to grow."

5.13 - 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.

"Cyber security is one of the fastest growing industries in the UK"

5.14 - 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.

5.15 - 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.

5.16 - 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.

"New stores and business opening"


TOWN HALL

PEOPLE AND CHANGE

5.17 - The people and change element of the budget strategy currently has two key areas of focus over the life of the savings plan:

- Savings following the creation of The Cheltenham Trust which formed part of the original business case when the trust was created in 2014;
- 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.

5.18 - 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.

5.19 - 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.

5.20 - 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.

5.21 - 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.

"The outcome of this work will help ensure the Council is then best placed to meet the future opportunities and challenges ahead."

FINANCE AND ASSETS

5.22 - Finance and assets – we recognises 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.

"Acquisition of 4 new commercial investment properties has already resulted in us over-achieving our new revenue income target."

5.23- 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.

"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"

5.24 - 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.

5.25 - 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.

5.26- 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.

USE OF RESERVES

5.27 - As has been outlined in section 5, the savings strategy will take time and resource to deliver and the relative needs baseline reset exacerbates the financial position. The council must therefore draw on its reserves to provide short-term support, specifically the Budget Strategy Support Reserve (BSSR).

RESOURCE PRIORITISATION

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

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

6. Conclusion

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

"The council has a track record of strong financial management"

"To ensure financial stability and sustainability"

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

CHELTENHAM
BOROUGH COUNCIL

THE WORKPLACE
WELLBEING
CHARTER

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