



CHELTENHAM

BOROUGH COUNCIL

Notice of a meeting of Cabinet

Tuesday, 17 December 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

6.	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL - REVISED BUDGET 2019/20 AND INTERIM BUDGET PROPOSALS 2020/21 FOR CONSULTATION Report of the Cabinet Member Finance- TO FOLLOW	(Pages 3 - 20)
7.	GENERAL FUND REVENUE AND CAPITAL - INTERIM BUDGET PROPOSALS 2020/21 FOR CONSULTATION Report of the Cabinet Member Finance- TO FOLLOW	(Pages 21 - 50)
	Section 10: BRIEFING NOTES (Briefing notes are circulated for information with the Cabinet papers but are not on the agenda) Town Hall Masterplan Scoping Study	

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Housing Revenue Account - Revised Forecast 2019/20 and Interim Budget Proposals 2020/21 for Consultation

Accountable member	Cabinet Member for Finance, Rowena Hay
Accountable officer	Executive Director Finance and Assets, Paul Jones
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the Housing Revenue Account (HRA) revised forecast for 2019/20 and the Cabinet’s interim budget proposals for 2020/21 for consultation.
Recommendations	<ol style="list-style-type: none"> 1. Note the revised HRA forecast for 2019/20. 2. Approve the interim HRA budget proposals for 2020/21 (shown at Appendix 2) for consultation including a proposed rent increase of 2.7% and changes to other rents and charges as detailed within the report. 3. Approve the proposed HRA capital programme for 2020/21 as shown at Appendix 3. 4. Delegate authority to the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation. 5. Seek consultation responses by 31st January 2020.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Paul Jones.</p> <p>E-mail: paul.jones@cheltenham.gov.uk</p> <p>Tel no: 01242 264365</p>
Legal implications	<p>There are no specific legal implications arising from the report</p> <p>Contact officer: Shirin Wotherspoon</p> <p>E-mail: shirin.wotherspoon@teWKesbury.gov.uk</p> <p>Tel no: 01684 272017</p>

HR implications (including learning and organisational development)	There are no direct HR implications arising from the report Contact officer: Julie McCarthy E-mail: julie.mccarthy@cheltenham.gov.uk Tel no: 01242 264355
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The draft budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings and moving towards a carbon neutral housing portfolio by 2030.

1. Background

1.1 The Council's Constitution requires that the Cabinet prepare an interim budget for consultation before it makes recommendations to full Council in February 2020. The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation period, and its report to Council in February 2020 should reflect the Cabinet's response to such comments.

2. Introduction

2.1 The current year marks the successful completion of a four-year plan to mitigate the rent reduction policy imposed by Government. The new social rent policy of allowing annual rent increases of CPI + 1% p.a. for five years and the abolition of the HRA debt cap ensures that additional resources will be available to increase the supply of affordable housing, further improve existing stock and invest in our communities.

2.2 Highlights from our plans include: -

- 500 new affordable homes by 2023.
- Completion of the new windows and doors programme for existing stock.
- Installation of showers in all our properties.
- Development of a carbon neutral strategy for new and existing stock and the delivery of housing services.
- Delivery of 5 community investment plans, supported by a diverse range of partners and connecting with over 2,000 residents per quarter. These plans focus on employment and education, community safety, health and wellbeing, financial inclusion and involvement and engagement.
- New housing management software has been successfully rolled out giving additional functionality including interactive online access for customers and contractors, with a Customer Portal going live in December 2019. Further efficiencies are anticipated as the system is bedded in.
- Rationalisation of CBH office accommodation to improve efficiency, reduce future costs and support our plans with respect to the carbon neutral agenda.

3. Update on Operating Environment

3.1 Tackling Climate Change

Government has set a target to reduce carbon emissions to net zero by 2050. This Council has declared a climate emergency with an aspiration of being carbon neutral by 2030. Areas we will be focussing on include: -

- Moving towards a housing portfolio that is carbon neutral.
- Retrofit existing stock to use as demonstrators and to educate homeowners in the Borough.
- Carbon zero fleet.
- Other opportunities to make an impact will be provided by a review of office accommodation and the delivery of housing services.

In consultation with the Council, CBH will develop a strategy and delivery programme to meet these challenges and a sum of £50,000 has been included in the 2020/21 budget to commence this work. It is anticipated that it will require a very significant investment in the existing stock but that has not yet been quantified for inclusion in the HRA Business Plan. The programme will also impact on the unit cost of new build and acquisitions.

The significant project to install new windows and doors across all properties, together with the installation of a further 400 new boilers, will further improve the average SAP energy performance rating of the stock – this has already increased year on year for the past 3 years. There will need to be further improvements in energy efficient heating and insulation as part of a comprehensive review of all major component replacements.

3.2 Rent Policy

After the completion of the four year period of rent reduction the Government's new rent policy will commence in April 2020. Rents will be allowed to increase by CPI (as at previous September) + 1% per annum for the next five years before a further review. The CPI for September 2019 was 1.7% giving a rent increase for 2020/21 of 2.7%.

3.3 Universal Credit (UC)

After significant delays to the introduction of UC, the full rollout began in Cheltenham in December 2017. There are currently 996 claimants (November 2019) with 1,050 being anticipated by March 2020. Under present regulations there could eventually be up to 2,000 claimants, potentially placing considerable pressure on rent arrears. CBH is conducting a proactive campaign to provide support and information to all tenants affected by these changes. The impact on arrears will be closely monitored and the budget proposals reflect an increasing provision for bad debts.

3.4 Right to Buy Receipts

The Government published a consultation paper in the summer of 2018 which sought views on introducing more flexibility in the use of RTB receipts to fund new build. Though any relaxation in the conditions of use would be welcome, the suggestions put forward in the document would be limited in their impact and the sector response was to request more wide-ranging reform, including the abolition of RTB. The consultation closed in early October 2018 and a response from the Government is still awaited.

3.5 Abolition of the HRA Debt Cap

The Government lifted HRA borrowing restrictions in Autumn 2018, abolishing the debt cap and leaving the level of borrowing to be controlled by the prudential code. This will allow a significant

increase in the new build programme subject to the identification of appropriate sites and financial viability. This is reflected in the capital programme proposals at Appendix 4.

4. HRA Business Plan – Financial Projections

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

- Anticipated revenue outturn for 2019/20.
- The proposed development and acquisition programme for the period from April 2020 to March 2023 which is forecast to deliver 500 new affordable units.
- A contingency budget of £5.5m. for regeneration projects based on the assumption that there will be no additional revenue benefit from the investment.
- A refreshed assessment of the 30 year “need to spend” on existing stock for both capital and revenue expenditure.

4.2 The plan uses the following key assumptions:-

- CPI at 2% p.a. from April 2020
- Stock sales through RTB at 20 p.a.
- Rents increasing by 2.7% in 20/21 then increasing at CPI +1% p.a. for 4 further years to March 2025 and by CPI p.a. thereafter.
- Long term borrowing rates at 3% p.a.

4.3 The viability of the plan has been strengthened by the Government confirmation of rent policy post 2020. It shows an increase in resources available to fund additional new build and regeneration schemes through a combination of borrowing, capital receipts, grant and revenue contributions from reserves. The plan confirms the financial viability of the proposed investment programme detailed at Appendix 4, with sufficient resources available to repay debt in the longer term.

5. 2019/20 Revised Forecast

5.1 The forecast at Appendix 2 shows a reduction in operating surplus of £181,700 compared to the original budget. Significant variations (greater than £30,000) within the 2019/20 revised forecast have been identified in budget monitoring reports and are summarised below.

Budget Heading	Additional Cost (+) / Income (-)
	£
General & Special Management – includes additional professional fees re land acquisition and new supply programme	98,300
Provision for Bad Debts – reduced contingency for additional debt arising from Universal Credit.	-80,000
Interest Payable – increase relates to land acquisition for future development	120,300

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Depreciation of Dwellings – additional properties acquired/constructed and reduction in RTB sales	72,600
Depreciation of Other Assets – contribution to IT programme	44,300
Rent Income – additional income from new properties	-85,400
Other net variations (less than £30,000)	11,600
Reduction in Operating Surplus (compared to original budget)	181,700

5.2 Revenue reserves are now estimated at £1,500,000 at 31st March 2020, reflecting a higher balance brought forward from 2018/19 and a reduction in revenue contributions to capital, offset by the decrease in the operating surplus.

6. 2019/20 Budget Proposal

6.1 All rents will increase by 2.7% in April 2020. The rent estimate assumes a 0.8% void rate and 20 RTB sales in the year and reflects additional income from new build and acquired properties.

6.2 Estimates of service charge income currently assume: -

- Increase of 3.2% for cleaning services supplied by CBH reflecting pay inflation and additional costs of waste disposal.
- Overall charges for power to communal areas will be increased by 20% to reflect the new tariff confirmed from April 2020, following the end of a 3 year price fix. The new tariff has again been fixed for 3 years.
- A new agreement for the HRA grounds maintenance work undertaken by Ubico commenced in April 2019. This followed a comprehensive review of the areas maintained and the nature of work carried out thus creating some volatility in service charges to tenants and leaseholders. Those faced with an increase in charges are protected by transitional arrangements with increases being phased in over three years.

6.3 It is proposed that garage rents are increased by 3% from April 2020 in line with the anticipated increase in the Retail Price Index.

6.4 Significant changes to the HRA (greater than £30,000) in 2020/21 as compared to the revised forecast for 2019/20 are itemised in the table below. There is a reduction of £66,700 in the operating surplus for the year when compared with the 2019/20 forecast.

Budget Heading	Additional Cost (+) / Income (-)
	£
General & Special Management – completion of HRA contribution to pension scheme re transferred staff (£240,000) offset by a budget for the carbon neutral programme (£50,000) and a further contingency of £50,000 to support the delivery of the enhanced new supply programme.	-167,600
Increase in CBH management fee (see paragraph 7.2 below)	209,000

Increase in Repairs & Maintenance - pay award and other inflation	113,900
Increase in bad debt provision – additional contingency for roll out of Universal Credit	35,000
Interest Payable – arising from additional borrowing to finance capital programme	344,400
Depreciation of Dwellings – reflects change to stock numbers and inflation on replacement components	83,500
Depreciation of Other Assets – one-off charge relating to IT in 2019/20 no longer required	-30,500
Rent Income – rent increase and additional properties	-545,300
Service Charges – increase on range of services	-40,000
Interest receivable – reduction in reserves	74,700
Other net variations (lower than £30,000)	-10,400
Reduction in Operating Surplus (compared to 2019/20 forecast)	66,700

6.5 Revenue contributions totalling £1,312,700 will be used to fund capital expenditure in the year, leaving revenue reserves at the contingency level of £1,500,000 at 31st March 2021.

6.6 The Discretionary Housing Payments (DHP) Scheme enables local authorities to provide benefit claimants with financial assistance towards housing costs through the General Fund. An annual allocation of funding from Government finances this scheme. In previous years the total of such payments has not exceeded the allocation. If anticipated payments are at a level which could match or even exceed Government funding, MHCLG have confirmed that authorities may be permitted to fund DHP payments made to its own tenants from the HRA. This requires a written application to MHCLG for a specific accounting direction. The level of payments continues to be monitored and the Executive Director, Finance and Assets has delegated authority to apply for such a direction if it appears probable that the annual allocation will be exceeded in any financial year. The draft HRA budget does not yet include any provision for such expenditure.

7. Cheltenham Borough Homes (CBH)

7.1 The draft budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2020/21, which show a breakeven position on services provided to the Council.

7.2 The proposed management fee for 2020/21 (£5,503,000) shows a 3.9% increase on 2019/20 arising from anticipated pay awards and the anticipated impact of rent reviews on current premises. CBH is progressing an accommodation strategy which will reduce future costs through a rationalisation of office space.

7.3 The HRA repair and maintenance budget for 2020/21 (£3,982,000) shows a 2.9% increase on 2019/20 arising from anticipated pay awards and inflation on transport, materials and sub-contractors.

7.4 The cost of delivering the estate cleaning contract (£356,000) has risen by 3% which includes the anticipated cost of the pay award and additional costs of waste disposal.

8. CBH Plans & Progress

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

- **Service Improvement programme** – CBH went live with new housing management software in July, successfully completing a four year change programme covering all areas of service delivery, IT applications and business processes. The new integrated solution will enhance business capability and provide additional functionality including interactive online access for customers and contractors. The Customer Portal will go live in December 2019.
- **Repairs insourcing** – further efficiencies are anticipated from insourcing opportunities. The kitchens and bathrooms programme and a project to deliver minor aids and adaptations have both been successfully implemented.
- **Non-traditional stock** – a programme of structural repair, external component replacement and improvement to Cornish properties in Elmfield Road and Midwinter Avenue is in progress to provide properties that are warmer, cheaper to run, more secure and visually more attractive. Very positive feedback has been received from tenants as the contract has progressed.
- **Property Compliance** - Compliance reporting has been enhanced with regular reports being scrutinised by both CBH Audit & Risk Committee and Board. Fire and gas safety are key areas with a target of 100% compliance for the stock.
- **Sheltered Accommodation** - A high level review of the main sheltered schemes has been completed. It confirmed there is a current and future demand for social sheltered housing but that existing schemes will require future modernisation to retain occupancy levels. A further in depth appraisal will be undertaken on the poorest performing schemes so that longer term strategies can be developed for these properties. A five year facelift programme of refurbishment for sheltered blocks has begun.
- **New supply** – Council approval of the Housing Investment Plan in October 2018 enables CBH to build/acquire units both for market and affordable rent whilst also continuing to manage the delivery of new stock within the HRA. Detailed preparations for the launch of the PRS initiative have been completed with the first units to be acquired early in 2020.
- **Welfare reform/Universal Credit (UC)** – CBH has obtained “trusted partner” status with DWP and their teams continue to build positive relationships with people and organisations who are able to help those who need it most. Despite the challenges of Universal Credit rent collection performance remains in line with targets.
- **Accommodation strategy** – CBH is actively pursuing opportunities to rationalise office accommodation to support more effective working practices and reduce future overhead costs.

9. Capital Programme

9.1 The revised capital programme for 2019/20 reflects variations identified during the year, most notably the acquisition of land in West Cheltenham (£11.5m) to enable the future development of new affordable housing.

9.2 Existing Stock

The detailed capital programme for 2020/21 and indicative programmes for the following two years are shown at Appendix 4. These reflect both the investment requirements for existing stock identified via stock condition surveys and a recent review of the 30 year capital programme. The sum set aside for component replacements each year will vary in line with anticipated lifecycles.

The programme includes:-

- Ongoing funding to complete the replacement of windows and doors through most of the stock.
- A new showers programme - currently approximately 2,500 homes have either an over bath shower or shower cubicle/wet room leaving a further 2,000 homes without such a facility. The programme will fit over bath showers to these properties over a period of 10 years at a total cost of £2.4m. This expenditure and the subsequent cost of maintenance and renewal will total £7.7m over 30 years, which can be accommodated within the business plan.
- A replacement warden call system for sheltered schemes

9.3 New Supply

The capital programme also includes an ambitious programme of new build and acquisitions delivering a further 500 affordable homes by 2023/24. A range of tenures will be provided with units developed for social rent, affordable rent and shared ownership. The mix and number will be dependent on the financial viability of each site, but an emphasis will be placed on affordability. A contingency of £50,000 has been included in the revenue budget to support the delivery of this enhanced programme.

9.4 Funding

The proposed funding of the capital programme, together with a statement of balances on the major repairs reserve, is shown at Appendix 3. This reflects the significant increase in new build spend which will be financed by a combination of borrowing, grant, shared ownership sales and capital receipts.

10. Conclusion

10.1 The end of rent reduction, certainty on rent policy for 5 years and the lifting of the debt cap all strengthen HRA viability and give additional capacity to invest in both the existing stock and new build. As anticipated by the Housing Investment Plan approved by Council in October 2018 the budget proposals include an ambitious programme of new build and acquisition, potentially delivering a further 500 affordable homes by 2023/24. This will complement the resources also made available to CBH to deliver new market rented units. The 30 year HRA Business Plan confirms the longer term viability of this investment which will provide a significant boost to the stock of affordable housing in Cheltenham.

However, the plan does not yet include the potential costs of moving the housing stock towards carbon neutrality and a wider regeneration programme. This will provide a significant challenge moving forward and may require difficult choices on future resource allocation.

11. Consultation process

11.1 The Council is proposing to consult on these budget proposals during the period to 31st January 2020. The extended period will allow CBH to respond at their January Board meeting. The results from this consultation will be fed back to the Cabinet and considered in the formulation of the final budget proposals.

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

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

Report author	<p>Steve Slater, Executive Director (Finance and Resources), Cheltenham Borough Homes</p> <p>Tel. 01242 387539;</p> <p><i>e-mail address steve.slater@cbh.org</i></p>
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. HRA Operating Account 3. Major Repairs Reserve and HRA Capital Programme (summary) 4. HRA Capital Programme (detail)
Background information	<ol style="list-style-type: none"> 1. HRA 30 year Business Plan 2. CBH Budgets and Plans 2020/21 3. CBC Place Strategy 4. No Child Left Behind

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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If the external policy environment remains volatile this may impact the economic operating environment and future funding of the HRA	Tim Atkins	December 2019	4	3	12	R	Policy changes are monitored closely and the impacts understood and mitigated where there is a significant impact on the HRA (such as the four year rent reduction policy). A 30 year financial business plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2021	CBH through management agreement	
1.02	If welfare reforms have a greater impact on tenants than anticipated and planned for, it may increase the level of arrears for the HRA and impact on vulnerable families	Tim Atkins	December 2012	3	3	9	R	The HRA budget includes specific resources to control rent arrears and support tenants through Welfare Reform/Universal Credit. This has been successful in mitigating the impact so far.	Mar 2021	CBH through management agreement	
1.03	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Tim Atkins	December 2012	3	2	6	R	Demand for social housing remains high with a significant waiting list and short re-let times. Quality of homes needs to be maintained and changes in void levels monitored.	Mar 2021	CBH through management agreement	
1.04	If there are insufficient resources to deliver planned maintenance to existing stock or meet additional H&S compliance requirements, then homes may become	Tim Atkins	December 2019	4	3	12	R	Robust stock condition data and compliance data is maintained informing future capital spend and compliance requirements. Planned maintenance cost data is externally	Mar 2021	CBH through management agreement	

	non decent or there may be an increase in void loss							validated. Procurement best practice is followed with continuing contract management. A 30 year financial business plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term			
1.05	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Tim Atkins	December 2012	4	2	8	R	The planned maintenance programme for existing stock is delivered each year. A 30 year financial business plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term. Major peril to the stock is fire which is covered by appropriate insurance.	Mar 2021	CBH through management agreement	
1.06	If the Carbon Neutral programme is not carefully planned and delivered there may be insufficient resources to deliver existing maintenance programmes and services	Tim Atkins	December 2019	4	3	12	R	In depth planning and viability work will be undertaken prior to delivering this programme. A 30 year financial business plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2021	CBC/CBH through partnership working	
1.07	If there are insufficient new supply opportunities (land/acquisitions) or resources (including funding such as grants and borrowing) the ambitious targets for net new supply will not be	Tim Atkins	December 2019	3	2	6	R	Internal resources are being expanded to identify and deliver on new supply opportunities. Close partnership working between and CBC and CBH and also with Homes England is	Mar 2021	CBC/CBH via Strategic Housing Delivery Group, Council Member Working Group, Operational Working Group	

	achieved								maintained. A 30 year financial business plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term			
1.08	If the capital receipts held from RTB sales under the retention agreement with MHCLG are not used within 3 years of receipt they are repayable with interest to the Government	Tim Atkins	December 2013	3	1	3	R	The current phase of the new supply programme is continuing with officers monitoring spend against that required to retain receipts.	Mar 2021	CBC/CBH via the Operational Working Group		

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	2019/20		2020/21	2021/22		2022/23
	Original £	Forecast £	Estimate £	Projections		£
EXPENDITURE						
General & Special Management	2,300,100	2,398,400	2,230,800	2,190,500	2,220,100	
ALMO Management Fee	5,294,000	5,294,000	5,503,000	5,656,100	5,769,200	
Rents, Rates, Taxes and Other Charges	69,000	69,600	69,600	69,600	69,600	
Repairs & Maintenance	3,868,100	3,868,100	3,982,000	4,083,000	4,184,000	
Provision for Bad Debts	330,000	250,000	285,000	349,000	380,000	
Interest Payable	1,684,700	1,805,100	2,151,700	2,797,800	3,388,400	
Depreciation of Dwellings	4,533,900	4,606,500	4,690,000	4,823,700	4,979,900	
Depreciation of Other Assets	291,500	335,800	305,300	306,900	308,500	
Debt Management Expenses	83,200	83,200	85,300	87,000	88,700	
TOTAL	18,454,500	18,710,700	19,302,700	20,363,600	21,388,400	
INCOME						
Dwelling Rents	18,340,400	18,425,800	18,971,100	19,945,300	21,693,300	
Non Dwelling Rents	484,300	475,800	484,200	490,400	496,800	
Charges for Services and Facilities	857,500	852,100	892,100	915,800	934,600	
Feed in Tariff from PV Installations	229,000	232,000	238,300	245,400	252,800	
TOTAL	19,911,200	19,985,700	20,585,700	21,596,900	23,377,500	
NET INCOME FROM SERVICES	1,456,700	1,275,000	1,283,000	1,233,300	1,989,100	
Interest Receivable	104,400	104,400	29,700	29,700	29,700	
NET OPERATING SURPLUS	1,561,100	1,379,400	1,312,700	1,263,000	2,018,800	
Appropriations						
Revenue Contributions to Capital	-8,843,900	-8,704,500	-1,312,700	-1,263,000	-2,018,800	
Net Increase/(Decrease) in reserves	-7,282,800	-7,325,100	-	-	-	
Revenue Reserve brought forward	8,785,200	8,825,100	1,500,000	1,500,000	1,500,000	
Revenue Reserve carried forward	1,502,400	1,500,000	1,500,000	1,500,000	1,500,000	

Average Social Rent:-				
Increase 1st April		2.70%	3.00%	3.00%
48 wk	85.71	88.02	90.66	93.38
52 wk	79.12	81.26	83.69	86.20
Average stock	4,401	4,399	4,394	4,380

Average Affordable Rent:-				
Increase 1st April		2.70%	3.00%	3.00%
48 wk	135.45	130.76	127.44	130.65
52 wk	125.03	120.70	117.64	120.60
(nb average rents also reflect changes to stock mix following new build completions/market purchases)				
Average stock	63	89	140	285

MAJOR REPAIRS RESERVE

	2019/20		2020/21	2021/22	2022/23
	Original £	Forecast £	Estimate £	Projections £	Projections £
Balance brought forward	-	-	-	-	-
Depreciation of Dwellings	4,533,900	4,606,500	4,690,000	4,823,700	4,979,900
Depreciation of Other Assets	291,500	335,800	305,300	306,900	308,500
	<u>4,825,400</u>	<u>4,942,300</u>	<u>4,995,300</u>	<u>5,130,600</u>	<u>5,288,400</u>
Utilised to fund Capital Programme	-4,825,400	-4,942,300	-4,995,300	-5,130,600	-5,288,400
Balance carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HRA CAPITAL PROGRAMME

	2019/20		2020/21	2021/22	2022/23
	Original £	Forecast £	Estimate £	Projections £	Projections £
<u>EXPENDITURE</u>					
EXISTING STOCK					
Property Improvements & Major Repairs	8,471,300	8,934,800	9,516,000	6,416,000	6,522,000
Adaptations for the Disabled	400,000	550,000	500,000	500,000	500,000
Environmental Works (Tenant Selection)	10,000	10,000	10,000	10,000	10,000
Repurchase of Shared Ownership Dwellings	50,000	50,000	50,000	50,000	50,000
	<u>8,931,300</u>	<u>9,544,800</u>	<u>10,076,000</u>	<u>6,976,000</u>	<u>7,082,000</u>
NEW BUILD & ACQUISITIONS	7,631,000	20,195,700	20,000,000	30,000,000	25,000,000
TOTAL	<u>16,562,300</u>	<u>29,740,500</u>	<u>30,076,000</u>	<u>36,976,000</u>	<u>32,082,000</u>
<u>FINANCING</u>					
Capital Receipts	2,593,000	1,604,000	1,346,000	1,346,000	1,290,000
HRA Revenue Contribution	8,843,900	8,704,500	1,312,700	1,263,000	2,018,800
Leaseholder Recharges	300,000	300,000	300,000	300,000	300,000
Major Repairs Reserve	4,825,400	4,942,300	4,995,300	5,130,600	5,288,400
Grants & Shared Ownership Sales	-	-	3,685,000	4,295,000	8,455,000
Borrowing	-	14,189,700	18,437,000	24,641,400	14,729,800
TOTAL	<u>16,562,300</u>	<u>29,740,500</u>	<u>30,076,000</u>	<u>36,976,000</u>	<u>32,082,000</u>

PROPERTY IMPROVEMENT & MAJOR WORKS				
Description of works	2019/20	2020/21	2021/22	2022/23
EXTERNAL IMPROVEMENTS	859,100	1,184,000	1,073,000	1,556,000
INTERNAL IMPROVEMENTS	517,900	850,000	1,037,000	1,039,000
PATHS, FENCES & WALLS	146,800	247,000	247,000	247,000
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	20,000	55,000	55,000	55,000
RENEWAL OF HEATING SYSTEMS	900,900	1,238,000	1,284,000	1,140,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	573,600	700,000	560,000	560,000
WINDOWS & DOORS	2,339,500	2,800,000	70,000	70,000
ASBESTOS	319,900	250,000	190,000	140,000
SHELTERED ACCOMMODATION	111,700	120,000	50,000	30,000
DOOR ENTRY SCHEMES	218,800	269,000	134,000	149,000
STRUCTURAL WORKS	27,700	35,000	50,000	50,000
COMMUNAL LIGHTING	1,054,000	225,000	135,000	111,000
FIRE PROTECTION	77,300	150,000	150,000	150,000
LIFTS	15,000	135,000	15,000	15,000
NON TRADITIONAL HOMES	978,600	-	-	-
GARAGE IMPROVEMENTS	57,000	25,000	25,000	25,000
WARDEN CALL UPGRADE	25,000	500,000	300,000	-
CONCRETE REPAIRS	-	20,000	200,000	200,000
FEE FOR MANAGING PROGRAMME	692,000	713,000	731,000	749,000
CONTINGENCY	-	-	110,000	236,000
TOTAL BUDGET FOR EXISTING PROPERTIES	8,934,800	9,516,000	6,416,000	6,522,000

NEW BUILD & ACQUISITIONS				
	2019/20	2020/21	2021/22	2022/23
NEW BUILD (APPROVED)				
MONKS CROFT VILLAS	475,800	3,455,300	-	-
PENNINE ROAD	175,900	809,100	-	-
NEWTON ROAD	19,300	-	-	-
MARKET PURCHASE	3,918,200	3,015,000	3,015,000	3,015,000
NEW SCHEMES	15,606,500	12,720,600	26,985,000	21,985,000
TOTAL ESTIMATE FOR NEW BUILD & ACQUISITIONS	20,195,700	20,000,000	30,000,000	25,000,000

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Cheltenham Borough Council

Cabinet – 17th December 2019

General Fund Revenue and Capital - Interim Budget Proposals 2020/21 for Consultation

Accountable member	Cabinet Member for Finance, Councillor Rowena Hay
Accountable officer	Paul Jones, Executive Director Finance and Assets (Section 151 Officer)
Accountable scrutiny committee	Overview and Scrutiny Committee and Budget Scrutiny Working Group
Ward(s) affected	All
Key Decision	Yes
Executive summary	<p>This report sets out the Cabinet’s interim budget proposals for 2020/21 for consultation. The budget projections have been prepared before the local government finance settlement consultation has been released.</p> <p>In light of the general election held on 12th December 2019, the Ministry of Housing, Communities and Local Government (MHCLG) has stated that, “the department anticipates that the provisional settlement will be a priority for ministers to consider after the general election”, with the sector calling for the local government finance settlement to be published as soon as is practically possible, to assist in local authorities’ financial planning.</p> <p>As soon as the provisional finance settlement is published, a comprehensive briefing of the settlement will be sent to all Members. This will provide details of the Settlement Funding Assessment, New Homes Bonus and other specific grants for 2020/21.</p>
Recommendations	<ol style="list-style-type: none"> 1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £214.08 for the year 2020/21 based on a band D property (an increase of 2.39% or £5.00 a year for a Band D property). 2. Note the Medium Term Financial Strategy (MTFS) projection, outlined in section 3 and Appendix 3. 3. Approve the growth proposals, including one off initiatives at Appendix 4 and outlined in section 4, for consultation. 4. Approve the proposed capital programme at Appendix 6, as outlined in Section 7. 5. Delegate authority to the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be

needed to support the presentation of the interim budget proposals for public consultation which will include any changes arising from the provisional settlement.

6. Seek consultation responses by 20th January 2020.

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

Background

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2020. This report sets out the interim proposals for 2020/21.
- 1.2 The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, more than 75% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.

2. Settlement Funding Assessment

- 2.1 The Government has delayed the announcement of the provisional local government finance settlement 2020/21 due to the general election which took place on 12th December 2019. The Ministry of Housing, Communities and Local Government (MHCLG) has stated that, they anticipate that the provisional settlement will be a priority for ministers to consider after the general election, with the sector calling for the local government finance settlement to be published as soon as is practically possible, to assist in local authorities' financial planning.
- 2.2 As a direct consequence of the above, the assumptions within the interim budget proposals are based on the technical consultation on the local government finance settlement for 2020/21 which was released by MHCLG after the Spending Review 2019 (SR19) was published on 4th September 2019. Our response to the technical consultation was submitted on 31st October 2019.
- 2.3 The headlines from SR19 which directly affects local government were:
 - Confirmation that the Fair Funding Review, Business Rates Review and business rates reset has been deferred by 12 months to 2021/22;
 - There is a £2.9bn increase in Core Spending power overall. Most of the additional funding is for adults and children's services, but there is £54m for Homelessness. Clarification on how this is going to be distributed has been requested;
 - The Council Tax referendum limit is proposed at 2% but the consultation posed whether there should be a separate council tax referendum principle of 2% or £5, whichever is greater, for shire district councils in 2020-21;
 - Baseline funding for business rates will be uprated by CPI;
 - Funding to remove negative Revenue Support Grant (RSG) has been continued for 2020/21;
 - New Homes Bonus (NHB) – legacy payments will be honoured but the scheme for 2020/21 is still for discussion with ministers;
 - 75% business rates pilots will come to an end and there are no new pilots planned for 2020/21.
- 2.4 The Council's approved Medium Term Financial Strategy (MTFS) was predicated on the basis that council tax will increase by 2.99% per annum. However, the proposal to retain business rates growth achieved between 2013 and 2020 for a further year alongside a continuation of the removal of negative RSG should have a positive effect on the councils funding in 2020/21.
- 2.5 The MTFS assumed legacy payments for NHB would be honoured, however, a continuation of the same methodology for a further year could equate to an additional £301k funding in 2020/21.
- 2.6 The projections for additional new homes in the Borough were estimated to be 350 per annum

and this figure is used to calculate the New Homes Bonus. The actual number delivered over the last 12 months was an additional 423 new homes for occupation. With a baseline target of 0.4% this means we would only receive NHB for 215 additional new homes.

- 2.7** The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.
- 2.8** The proposed levels of government funding for this Council are set out in the table below. Overall 'core' central government funding (referred to as the Settlement Funding Assessment) is projected to increase by 1.7% in 2020/21.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	1.273	0.544	0.102	0.000	0.000
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.796	2.843
Settlement Funding Assessment	3.873	3.197	2.835	2.796	2.843
Actual cash (decrease) / increase over previous year	(0.816)	(0.676)	(0.362)	(0.039)	0.047
% cash (decrease) / increase	(17.4%)	(17.5%)	(11.3%)	(1.4%)	1.7%

- 2.9** Since 2013 the Council has had a direct financial interest in economic and business growth in the town, and will have a larger stake in it under the Government's proposals for reforming business rates. However, the business rate baseline reset in 2021/22 will lead to a significant reduction in its share of the financial benefit from growth in business rates in the Borough from 2013.

Retained Business Rates

- 2.10** In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.
- 2.11** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 2.12** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
- 2.13** The anticipated level of business rates due to this Council in 2020/21, taking into account the re-developments at the Brewery, John Lewis and Jessops Avenue, is significantly above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.

- 2.14** Taking the above into account, it is the opinion of the Section 151 Officer that this Council will benefit from remaining in the pool in 2020/21 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements

Council Tax

- 2.15** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 2 per cent for all local authorities in 2020/21. However, it is anticipated that shire districts will be allowed increases of up to and including £5, or up to 2 per cent, whichever is higher.
- 2.16** With increased pressure to deliver services with reducing government support, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 2.17** The tax base has increased by 1.16% in 2020/21 which has exceeded the target of 0.8%. This increase primarily arises from additional properties completed in the past year.
- 2.18** With this in mind, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 2.19** The uncertainty surrounding the fair funding review, the business rates reset and the future of New Homes Bonus post 2021, places a greater reliance on council tax as our main source of income.
- 2.20** Therefore, at this stage the Cabinet is proposing a 2.39% increase in council tax in 2020/21; an increase of £5.00 for the year for a Band D property.

Collection Fund

- 2.21** At this point in time, it is estimated that the Council's share of the Collection Fund surplus for 2020/21 is £73,500. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates and the Council's actual share will be confirmed within the final budget proposals presented to Council in February 2020.

3. The Cabinet's budget strategy

- 3.1** In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 3.2** The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.
- 3.3** The commercial strategy was adopted by Full Council in February 2018 with the vision “to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22”.
- 3.4** Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset

management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.

- 3.5** Our Executive Director People and Change already has ambitious plans to take the modernisation programme forward and is working closely with the Executive Director Finance and Assets to deliver on the commercial skills development programme. In March 2019, the leading public commercial consultant and author, David Elverson, was commissioned to undertake a high level commercial opportunities assessment, which also included a commercial masterclass and introductory training sessions for a number of staff. Before new commercial ideas are developed, training consultancy Human Engine were commissioned to provide introductory and advanced business case writing training for staff and partner organisations with 40 people taking part. The Council's Commercial Forum has now been established to review and consider commercial businesses case proposals following the training and mentoring Officers have received.
- 3.6** In June 2019, the national MJ achievement awards recognised Cheltenham Borough Council for its efforts in making significant local investments and long-term financial planning to ensure continuity of frontline services and public realm investment. This approach has helped the council manage the impact following the loss of £6.8m funding since 2010 where the Council was successful in winning the 2019 award for Best Commercial Council:
<https://awards.themj.co.uk/library/media/pdfs/CBCMJarward2019BestCommercialCouncilOriginal-compressed.pdf>
- 3.7** Heather Jameson, The MJ's editor, said: "Congratulations to Cheltenham BC for being named as Best Commercial Council. Our judges had a difficult task, selecting the best authority, never an easy decision when there are so many strong contenders, but Cheltenham stood out for its approach that covered the whole council. Well done to everyone at Cheltenham BC. This is a massive achievement and they should be proud of their innovative approach to saving local taxpayers' money." In September 2019, the Council's commercial approach to supporting its medium term financial strategy was further validated with the Council winning the APSE award for Best Commercial Council and Entrepreneurship Initiative;
<https://www.apse.org.uk/apse/index.cfm/news/articles/2019/announcing-the-apse-service-awards-finalists-2019/>
- 3.8** The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth and investment and the efficient utilisation of our assets; linking our Place and Commercial Strategies to 'Invest in Cheltenham, for the benefit of Cheltenham'. This has seen a place focused investment approach offering long term investment, income through rents as well as other social and financial benefits. The Executive leadership team's collaborative approach has enabled considerable progress.
- 3.9** As previously reported, proposals for the Council to take a leading role in the Minster Project will bring about an innovative box park concept, forming a hub for small start-up business in the creative and tech sector. The project will use under-utilised car parking space in partnership with Creative England, Cheltenham Festivals, the Gfirst LEP and Workshop Cheltenham. It will create new jobs, regenerate the surrounding area, bring in rental and business rates, but more importantly act as a growth magnet, encouraging investment and footfall on the fringes of the town centre.
- 3.10** In September 2019, Cabinet approved the further development of Cheltenham Enterprise Centre as part of the Authority's Property Portfolio Strategy. Phase II will provide additional industrial units with projected rental income from the additional units to be in the region of £65k per annum.
- 3.11** Our Managing Director Place and Growth and Executive Director Finance and Assets are working closely with Cheltenham Borough Homes, to deliver on the £100m investment in

Housing across the Borough. This investment will deliver an additional 500 homes across the Borough which matches the needs of our residents. This investment will also provide a commercial return in addition to capital appreciation.

- 3.12** At the end of August the council completed the purchase of 112 acres of strategically important land which forms part of the West Cheltenham JCS allocation. This was the most expensive land purchase ever made by CBC. It will enable the delivery of the Cyber Central vision – which was formally launched on 17th September 2019 at Hub8 in Cheltenham. In June 2019 the government announced that Cyber Central had been awarded ‘Garden Communities’ status.
- 3.13** The Council’s £37.5m investment into this site will enable the rapid growth of the Cyber Tech and innovative industries as part of a thriving integrated community, a place where people can live, work and recreate. It is a significant step forward in achieving the council’s corporate plan priority of Cheltenham becoming the UK capital of cyber. Our Housing Investment Strategy will play a leading role in shaping the residential aspect, working with Homes England to create high quality homes that offer a range of tenures with security and affordability.
- 3.14** The budget strategy indicates broadly how the Council will close the projected funding gap over the period 2020/21 to 2023/24 with the stated aim to become financially sustainable. In future years, it includes targets rather than necessarily specific worked up projections of efficiency 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. The detailed schedule of target savings is provided within the MTFs extract at Appendix 3.
- 3.15** The starting point for constructing the 2020/21 budget has been a projected funding gap of £1.144m.
- 3.16** Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to identifying budget efficiencies, carried out by the Cabinet and the Executive Leadership Team. This work has already made significant progress towards bridging the gap, having identified efficiency savings and additional income of £0.826m.
- 3.17** It is the Cabinet’s intention to meet the shortfall in funding in 2020/21 from the budget strategy (support) earmarked reserve in order to deliver a balanced budget.

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

- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
- Budgeted for pay inflation at 2% for 2020/21.
- Budgeted for an increase in Members allowances of 2% for 2020/21.
- Budgeted for superannuation increases in the ‘primary rate’ in accordance with the triennial review 2019 for the financial year 2020/21.
- Increased income budgets for the Cemetery and Crematorium, assuming an average increase in fees and charges of 2%.
- Frozen garden waste charges whilst retaining the prompt payment discount at £3 per bin for households renewing their subscription ahead of their annual renewal date.
- All other fees and charges, including car parking charges, are subject to annual review by the

Place and Growth management team. A target of £50k per annum has been established as part of the budget strategy approved to deliver a balanced budget.

- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

4. Growth Proposals

- 4.1 In previous years, budgets have been prepared under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. However, the Council's aspirations to modernise its offer, become financially sustainable and be carbon neutral by 2030, requires realignment of resources to deliver the outcomes defined above.
- 4.2 Members will recall that an allocation was agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall. A separate briefing attached to the Cabinet agenda for its meeting on 17th December 2019, outlines the progress made to date but essentially concludes that all of the options identified are currently outside the financial envelope of affordability available for the Council to progress.
- 4.3 Of the original allocation, £1.6m is still available and the Cabinet is recommending the following reallocation:
- Invest a sum of £1m to pump prime the commercial opportunities identified by The Cheltenham Trust (including investment which both sustains and grows income at the Town Hall);
 - Allocate £50k to fund 2 full-time documentation officers to ensure the collection receives accreditation status, primarily addressing the backlog of documentation inherited by The Wilson in October 2014 and not previously addressed;
 - Allocate £200k in a contingency fund to fund the associated costs of the investment in leisure@ in respect of the splash-pad;
 - Allocate £350k to a climate emergency fund to help facilitate the Council's ambition to become carbon neutral by 2030.
- 4.4 In February 2019, Full Council unanimously called on the Cabinet to declare a Climate Emergency, which was duly announced in July 2019. As part of the motion, Council requested that a report be presented back within six months, with the local actions the Council could take to help address this emergency. A report was presented to Full Council in October 2019 outlining the actions needed and an indicative timetable, as well as recommending the initial resources required for the authority to effectively gear up to delivering the scale of actions required by 2030. There is widespread public support for addressing climate change issues with more than four in five Cheltenham residents agreeing that the Council should play a role in tackling air quality issues (83%), enabling people to walk/cycle more (82%) and enabling public transport use (81%).
- 4.5 The report recommended initial 'seed funding' of £150,000 per year, to fund additional staffing resources in order to create the capacity and capability to develop the business cases for the initiatives outlined in the roadmap and to identify and secure external funding to enable climate emergency projects to progress. The Cabinet therefore proposes to allocate £350k from the original Town Hall allocation to address the resources required. In addition it proposes to allocate £75k from the planned maintenance reserve (originally allocated to the restoration of Pilley Bridge) on the grounds that it needs to prioritise its resources to the delivery of corporate plan priorities.
- 4.6 Whilst telematics technology is now being fitted to our vehicles which Ubico operate to ensure

they are being used effectively and efficiently, including reducing fuel consumption, there is a need to ensure that the technology which supports the delivery of services provided by Ubico, particularly domestic and trade waste collections, is in place and can integrate with other business systems as necessary including any Customer Relationship Management (CRM) system CBC may purchase going forward.

- 4.7** The Cabinet therefore proposes to allocate £200k, subject to a business case, for the purchase of an 'In Cab' technology system. It is anticipated that the implementation of this system would offer a number of financial, service related and carbon reduction benefits to the council and its residents.
- 4.8** The introduction of an In-Cab system would reduce the mileage required to be completed by Ubico, because it would guide the crew around their collection route and would largely eliminate mistakes. This would have a direct benefit in reducing the fuel used and associated carbon usage. In addition, it's likely that the council would see missed collections reduce meaning that return journeys to collection areas would not need to be made, which would again contribute in lowering the fuel and carbon usage. This investment would also support wider process improvements for waste collections.
- 4.9** The future provision of public conveniences was presented to Cabinet on 5th November 2019. Within that report, recognition for redeveloping the toilets at Sandford Park was identified, with a recommendation to set aside funding for a new facility within the 2020/21 budget proposals to be considered by Council in February 2020. In order to satisfy that commitment, the budget proposals include a sum of £143,500 in the proposed capital programme for 2020/21.
- 4.10** Given the ambitious agenda that the Council has set, the Leader has expressed his intent to increase the size of his Cabinet to 9 Members (including himself as Leader). This is to provide specific leads to support the growing environmental / climate change agenda and the economic development / growth agenda. These two new portfolios are generating considerable additional workloads and are of growing local and national importance.
- 4.11** In October 2019 the Council endorsed the 'Carbon Neutral Cheltenham – Leadership through Stewardship' report and roadmap. This commitment and roadmap will generate considerable additional workload. The importance of and focus on this agenda continues to grow and it is therefore important that a dedicated portfolio and cabinet lead is created.
- 4.12** In July 2018 the Council made a commitment to support the development of the West Cheltenham strategic allocation for the growth of the cyber industry and deliver housing. In June 2019, Homes England awarded Garden Community status for the 'Cyber Central Garden Community'. In August 2019, the Council announced that it had purchased two strategically important parcels of land covering 112 acres of land. Our corporate plan objective of making Cheltenham the cyber capital of the UK requires considerable resource and focus. This also links closely to the wider growth agenda and the important role Cheltenham has in the delivery of Gloucestershire's Local Industrial Strategy.
- 4.13** Cheltenham's Place Strategy sets out a vision for this to be a place where everyone thrives. Growing the economy and delivery of housing are important objectives. The West Cheltenham (Cyber Central) allocation will play a significant role in delivery of high value jobs and housing. With the recent announcement of Cheltenham (as part of Gloucestershire) being included in the Western Gateway, there is a need to have a greater dedicated focus on growth and economic development and once again, it is therefore important that a dedicated portfolio and cabinet lead is created.
- 4.14** The list of proposals for growth, including one off initiatives, is included in Appendix 4.
- 4.15** The investments the Council is making in the borough is underpinned by strong resident satisfaction that show overall 84% of Cheltenham residents are satisfied with their local area as a

place to live. This score is higher than the Local Government Association (LGA) benchmark (80%).

5. Treasury Management

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

6. Reserves

- 6.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review forms part of the formal budget setting report to be presented to Council in February 2020. A projection of the level of reserves to be held at 31st March 2020 and 31st March 2021 respectively is detailed in Appendix 5.
- 6.2 The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

7. Capital Programme

- 7.1 The interim capital programme for the period 2019/20 to 2022/23 is set out at Appendix 6.
- 7.2 The strategy for the use of the council's capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from capital receipts and the purchase of new vehicles through Ubico. It also includes the allocations agreed by the Council to provide an earmarked contribution to public realm works within the Town Centre.
- 7.3 In addition the capital programme sets aside an allocation for enhancing our property portfolio with the aims of delivering economic growth and regeneration.

8. Property Maintenance Programme

- 8.1 The interim budget proposals include the 2020/21 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £470k to planned maintenance, as detailed in Appendix 7.

9. Reasons for recommendations

- 9.1 As outlined in the report.

10. Alternative options considered

- 10.1 The Cabinet has considered many alternatives in arriving at the interim budget proposals.

Opposition groups will be able to suggest alternative budget proposals for consideration by Council in February 2020.

11. Consultation and feedback

- 11.1** The formal budget consultation on the detailed interim budget proposals will be over the period 18th December 2019 to 20th January 2020. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2020 and any comments will be fed back to the Cabinet.
- 11.2** Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to allow consideration of their full implications and to enable them to be built into the budget.
- 11.3** All comments relating to the initial budget proposals should be returned to the Executive Director Finance and Assets (Section 151 Officer) by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Comments can be e-mailed to moneymatters@cheltenham.gov.uk.
- 11.4** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Executive Director Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.
- 11.5** Given the financial pressures and the potentially very difficult decisions which will have to be made, it is important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

12. Performance management – monitoring and review

- 12.1** The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from the delivery of services to the delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised. It is intended that this will be evidenced further in the publication of the MTFS in February 2020.
- 12.2** The delivery of the savings work streams included in the interim budget proposals, if approved by full Council will be monitored by the Budget Scrutiny Working Group.

<p>Report author</p>	<p>Paul Jones, Executive Director Finance and Assets (Section 151 Officer)</p> <p>Tel. 01242 264365;</p> <p><i>e-mail address</i> paul.jones@cheltenham.gov.uk</p>
<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. Summary net budget requirement 3. Budget Strategy 4. Growth 5. Projection of reserves 6. Capital programme 7. Programmed Maintenance programme
<p>Background information</p>	<ol style="list-style-type: none"> 1. Budget Strategy and Process 2020/21 report to Cabinet 8th October 2019.

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
CR3	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	01/09/2010	5	3	15	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	Ongoing	ED Finance and Assets	01/09/2010
CR105	If the Budget Strategy (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the council's Medium Term Financial Strategy	ED Finance and Assets	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2019/20 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	ED Finance and Assets	
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business and	ED Finance and Assets	14/09/12	4	3	12	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by	Ongoing	ED Finance and Assets	

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

	incorrect, then there is likely to be increased volatility around future funding streams.							to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
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NET GENERAL FUND INTERIM BUDGET 2020/21

GROUP	2019/20 ORIGINAL	2019/20 REVISED	2020/21 ORIGINAL
	£	£	£
Projected cost of 'standstill' level of service			
Chief Executives Directorate	1,362,599	1,381,299	1,406,236
Finance & Assets Directorate	9,326,006	9,400,107	9,736,085
People & Change Directorate	3,939,106	4,203,584	3,939,295
Place & Growth Directorate	6,090,932	6,309,900	6,555,163
	<u>20,718,643</u>	<u>21,294,890</u>	<u>21,636,780</u>
Capital Charges	(2,757,427)	(2,629,758)	(2,532,500)
Interest and Investment Income	(2,959,971)	(3,119,243)	(2,893,251)
Use of balances and reserves	85,925	(613,947)	(237,186)
Savings / Additional income identified - Appendix 3			(826,000)
Growth - Appendix 4			30,000
Use of Budget Strategy Support reserve	(256,082)	(234,172)	(317,685)
NET BUDGET	<u>14,831,088</u>	<u>14,697,770</u>	<u>14,860,157</u>
Deduct:			
National Non-Domestic Rate	(2,788,856)	(3,057,431)	(3,296,847)
National Non-Domestic Rate - 2018/19 surplus / deficit	(73,117)	522,649	404,435
National Non-Domestic Rate - 2019/20 surplus / deficit	178,287	105,170	418,445
National Non-Domestic Rates - S31 Grants	(1,651,218)	(1,771,975)	(1,853,314)
New Homes Bonus	(1,468,797)	(1,468,797)	(1,223,000)
Collection Fund Contribution	(110,500)	(110,500)	(73,500)
	<u>(5,914,202)</u>	<u>(5,780,884)</u>	<u>(5,623,782)</u>
NET SPEND FUNDED BY COUNCIL TAX	8,916,886	8,916,886	9,236,375
Band 'D' Tax	£209.08	£209.08	£214.08
Increase per annum			£5.00
Increase per week			£0.10
% Rise			2.39%
Gross Collectable Tax Base	43,078.79	43,078.79	43,580.30
Collection Rate %	99.00%	99.00%	99.00%
Net tax base	42,648.00	42,648.00	43,144.50

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SAVINGS STRATEGY						
	2019/20	2020/21	2021/22	2022/23	2023/24	Total 2020/21 to 2023/24
Total Current MTFS Funding Deficit	1,933,682	1,143,685	2,117,244	1,469,321	680,537	5,410,787
1. Place and Growth						
Transformation of Regulatory & Environmental Services delivery	50,000	50,000				50,000
Fees & charges and income general uplift	50,000	50,000	50,000	50,000	50,000	200,000
Commercial income generation opportunities		50,000	50,000	50,000		150,000
Car Parking Strategy - volume / price analysis	550,000	150,000				150,000
Increase Crem fees above inflation			50,000			50,000
Environmental Services efficiencies	200,000	100,000				100,000
West Cheltenham - increase in business rates				100,000	300,000	400,000
North West Cheltenham - increase in business rates				100,000	100,000	200,000
Total	850,000	400,000	150,000	300,000	450,000	1,300,000
2. People and Change						
Revenues and Benefits restructure	40,000					0
L&C Review - trust savings	100,000		100,000			100,000
Publica savings	39,000					0
Modernisation Programme		100,000	200,000			300,000
Total	179,000	100,000	300,000	0	0	400,000
3. Finance and Assets						
Investment portfolio income generation - direct purchase	397,600	150,000	150,000	100,000		400,000
Investment portfolio income generation - West Cheltenham				100,000	100,000	200,000
North Place development income				150,000	100,000	250,000
Energy savings / initiatives (wind, solar / battery storage)			50,000			50,000
New Housing supply - mark-up on borrowing / equity		50,000	50,000			100,000
Depot - rationalisation of site					250,000	250,000
Local Council Tax Support scheme	40,000					0
Treasury Management activity			50,000			50,000
LGPS up-front payment discount	161,000					0
LGPS 2019 Revaluation savings		126,000	200,000	200,000		526,000
Municipal offices - Letting of surplus office accomodation space	50,000		50,000	50,000		100,000
Total	648,600	326,000	550,000	600,000	450,000	1,926,000
4. Use of Reserves						
* Use of Budget Strategy (Support) Reserve	256,082	317,685	1,117,244	569,321	(219,463)	1,784,787
Total	256,082	317,685	1,117,244	569,321	(219,463)	1,784,787
Total Identified Savings/Income	1,933,682	1,143,685	2,117,244	1,469,321	680,537	5,410,787
Shortfall / (Surplus) against MTFS Funding Gap	0	0	0	0	0	0

NB: traffic lights denote risk associated with delivery

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PROPOSALS FOR GROWTH

Ref	Division	Project Name	Description				Capital Costs
				2020/21	2021/22	2022/23	2020/21
				£	£	£	£
SUPPORTED GROWTH							
1	Democratic Representation and Management	2 additional Cabinet Members	To provide specific Cabinet leads to support the growing environmental / climate change agenda and the economic development / growth agenda. These two new portfolios are generating considerable additional workloads and are of growing local and national importance.	30,000	30,000	30,000	
2	Ubico Limited	In-Cab technology system			26,000	26,000	200,000
				30,000	56,000	56,000	200,000
SUPPORTED GROWTH (FUNDED FROM PLANNED MAINTENANCE & CAPITAL RESERVE/RECEIPTS)							
3	Air Quality	Climate Emergency	Seed funding to deliver the actions needed, as outlined in the report to Full Council in October 2019, to facilitate the Council's ambition to become carbon neutral by 2030.	150,000	150,000		125,000
4	The Cheltenham Trust	Documentation of the council's Art Gallery & Museum collection in 2020/21	2 temporary documentation officers to document the council's collection, required to ensure the collection receives accreditation status.	50,000			
5	The Cheltenham Trust	Commercialisation opportunities within the Trust	Invest a sum of £1m to pump prime the commercial opportunities identified by The Cheltenham Trust (including investment which both sustains and grows income at the Town Hall);				1,000,000
11	Property & Asset Management	Sandford Park toilets	Provide for new public toilet provision at Sandford Park.				150,000
				200,000	150,000	0	1,275,000

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		<u>31st March</u> <u>2019</u> £	<u>2019/20</u> <u>Movement</u> <u>Revenue</u> £	<u>Proposals</u> <u>to Support</u> <u>2019/20 Budget</u> £	<u>2019/20</u> <u>Movement</u> <u>Capital</u> £	<u>31st March</u> <u>2020</u> £	<u>2020/21</u> <u>Movement</u> <u>Revenue</u> £	<u>Proposals</u> <u>to Support</u> <u>2020/21 Budget</u> £	<u>2020/21</u> <u>Movement</u> <u>Capital</u> £	<u>31st March</u> <u>2021</u> £
<u>EARMARKED RESERVES</u>										
<u>Other</u>										
RES002	Pension & Restructuring Reserve	(220,956)	(150,000)			(370,956)	140,988			(229,968)
RES003	Economic Development & Tourism Reserve	(4,200)				(4,200)				(4,200)
RES006	Cultural Development Reserve	(22,361)				(22,361)				(22,361)
RES008	House Survey Reserve	(5,616)				(5,616)				(5,616)
RES009	Twinning Reserve	(8,366)				(8,366)				(8,366)
RES010	Flood Alleviation Reserve	(87,900)	50,000			(37,900)	37,900			(0)
RES014	GF Insurance Reserve	(77,106)				(77,106)				(77,106)
RES016	Joint Core Strategy Reserve	(18,780)				(18,780)				(18,780)
RES018	Civic Pride Reserve	(90,988)	90,988			0	0			0
RES020	Ubico Reserve	(94,000)	40,000			(54,000)				(54,000)
RES022	Homelessness Reserve	(41,100)				(41,100)				(41,100)
RES023	Transport Green Initiatives Reserve	(33,825)				(33,825)				(33,825)
RES024	New Initiatives reserve	(452,623)	116,000			(336,623)	116,000			(220,623)
RES025	Budget Strategy (Support) Reserve	(714,919)		234,172		(480,747)		317,685		(163,062)
RES026	Social Housing Marketing Assessment (SHMA) Reserve	(34,034)	(2,500)			(36,534)	(2,500)			(39,034)
		(1,906,774)				(1,528,114)				(918,041)
<u>Repairs & Renewals Reserves</u>										
RES201	Commuted Maintenance Reserve	(85,207)	12,172			(73,035)	12,172			(60,863)
RES204	I.T. Repairs & Renewals Reserve	(87,200)	(50,000)			(137,200)	(50,000)			(187,200)
RES206	Delta Place Reserve	(300,000)	(100,000)			(400,000)	(100,000)			(500,000)
RES205	Property Repairs & Renewals Reserve	(790,337)	52,000			(738,337)	52,000			(686,337)
		(1,262,745)				(1,348,573)				(1,434,110)
<u>Equalisation Reserves</u>										
RES101	Rent Allowances Equalisation	(324,283)	106,426			(217,857)	86,426			(131,431)
RES102	Planning Appeals Equalisation	(150,132)				(150,132)				(150,132)
RES105	Local Plan Equalisation	(69,133)				(69,133)				(69,133)
RES106	Elections Equalisation	(125,487)	(62,100)			(187,587)	(62,100)			(249,687)
RES107	Car Parking Equalisation	(615,341)			400,000	(215,341)				(215,341)
RES108	Business Rates Retention Equalisation	(636,348)	117,144			(519,204)	206,300			(312,904)
RES109	Cemetery income Equalisation reserve	(243,909)				(243,909)				(243,909)
		(2,164,633)				(1,603,163)				(1,372,537)
<u>Reserves for commitments</u>										
RES301	Carry Forwards Reserve	(593,816)	593,816			0				0
<u>CAPITAL</u>										
RES402	Capital Reserve - GF	(333,409)	(200,000)			(533,409)	(200,000)			(733,409)
TOTAL EARMARKED RESERVES		(6,291,377)				(5,013,259)				(4,458,388)
<u>GENERAL FUND BALANCE</u>										
B8000 - B8240	General Balance - RR	(1,320,591)				(1,320,591)				(1,320,591)
		(1,320,591)				(1,320,591)				(1,320,591)
TOTAL GENERAL FUND RESERVES AND BALANCES		(7,611,968)	613,946	234,172	400,000	(6,333,850)	237,186	317,685	0	(5,778,979)

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Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2019/20 £	Revised Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
CAP128	GCR	CHIEF EXECUTIVE 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	-	8,400	-	-
CAP131	GCR	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	-	-
				-	88,400	-	-
		FINANCE & ASSET MANAGEMENT					
		Property Services					
CAP506	GCR	Enterprise Way Phase 2	Industrial units to complete development	-	480,000	561,700	-
CAP700	PB	Enhancing Investment Property Portfolio	To increase the Council's property portfolio.	-	-	6,232,410	-
CAP512	PB	West Cheltenham development (Cyber Hub)	Infrastructure to support cyber hub	-	28,104,200	4,648,010	-
				-	28,584,200	11,442,120	-
		PEOPLE & CHANGE					
		Leisure & Culture					
		ICT					
CAP026	C	IT Infrastructure	5 year ICT infrastructure strategy	100,000	100,000	100,000	100,000
		Revenues & Benefits					
CAP132	SGG	Council Tax Support / NNDR New Burdens software	Software to enable changes to council tax support scheme and NNDR new burdens	-	-	-	-
				100,000	100,000	100,000	100,000
		PLACE & GROWTH					
CAP601/2/3	GCR	Crematorium Scheme - new chapels	Construction of new chapels	-	118,166	-	-
CAP606	GCR	Crematorium Scheme - existing chapel	Redevelopment of existing chapel	285,000	-	285,000	-
CAP152	GCR	Public Realm - Promenade pedestrianised area	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone	-	33,609	-	-
CAP154	GCR	Public Realm - Creative Hub / St. Mary's Churchyard	Environmental improvements	-	36,900	-	-
CAP154	S106	Public Realm - Creative Hub / St. Mary's Churchyard	Public Art Scheme	-	-	20,000	-
CAP204	GCR	Public Realm - Improvements to Grosvenor terrace car park (Town Centre East)	Improving linkages to the High Street, signage and decoration.	-	115,500	-	-
CAP201	GCR	CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	50,000	312,655	50,000	-

Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2019/20 £	Revised Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
CAP207	GCR	Public Realm Improvements - High Street Phase 2	Following an initial risk assessment of allotment provision over the short to long term it is considered unlikely that the current budget allocation of £561,402 is required. It is proposed that £400,000 is reallocated to the High Street fund to support delivery of phase 2. A full risk assessment will be undertaken and presented to Cabinet later this year to agree the final amount to be reallocated. In addition, in light of the current development of the High Street following the successful completion of Phase 1, it is recommended that the £1.8m set aside for the development of Boots Corner is reallocated to the next phase of the High Street (planned to be the Strand and Cambray Place) and this capital is then replenished by future allocations via Community Infrastructure Levy (CIL), future review of capital projects and any reallocation arising with continued investigation of match grant funding.	-	2,315,690	-	-
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	-	-
CAP507	P	Changing Places	Two changing room accessible toilets in the town centre	-	42,185	-	-
CAP221	BCF	Housing Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.	500,000	802,679	500,000	500,000
CAP223	BCF/GCR	H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy	-	211,425	-	-
CAP224	BCF	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems	-	18,400	-	-
CAP228	S106	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Homes and Communities Agency (HCA)	-	252,746	-	-
CAP101	S106	Parks and Gardens S.106 Play area refurbishment	Developer Contributions	50,000	85,000	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	132,886	80,000	-
CAP501	GCR	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	-	161,402	-	-
CAP101	P	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.	38,000	66,000	-	-
CAP301	PB/GCR	Waste & Recycling Vehicles and recycling equipment and receptacles	Replacement vehicles and recycling equipment	1,704,000	2,117,816	850,000	-
				2,707,000	7,290,038	1,835,000	500,000
		BUDGET PROPOSALS FOR FUTURE CAPITAL PROGRAMME: In Cab Technology	The introduction of an In-Cab system would reduce the mileage required to be completed by Ubico, because it would guide the crew around their collection route and would largely eliminate mistakes. £200k				

Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2019/20 £	Revised Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
		Commercialisation opportunities within the Trust	Invest a sum of £1m to pump prime the commercial opportunities identified by The Cheltenham Trust (including investment which both sustains and grows income at the Town Hall);				
		Sandford Park toilets	Provide for new public toilet provision at Sandford Park. £150k				
		TOTAL CAPITAL PROGRAMME		2,807,000	36,062,638	13,377,120	600,000

	BCF	Funded by:		500,000	862,636	500,000	500,000
	SCG	DFG Better Care Fund / government grant		-	-	-	-
	P	Other specific government grant		-	109,164	-	-
	S106	Partnership Funding		50,000	337,746	70,000	-
	GCR	Developer Contributions S106		1,844,000	4,756,076	976,700	-
	PB	GF Capital Receipts		413,000	29,497,016	11,730,420	-
	R	Prudential Borrowing		-	400,000	-	-
	C	Revenue (RCCO) / other revenue reserves		-	100,000	100,000	100,000
		GF Capital Reserve		2,807,000	36,062,638	13,377,120	600,000

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Proposed Planned Maintenance Programme 2020 - 2021

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 Fire Risk Assessment reports.	20,000			
All Properties (H&S)	Consequential works arising from Legionella Risk Assessments/ inspections.	15,000			
All Properties (H&S)	Consequential works arising from Asbestos Risk Assessments/ inspections.	5,000			
All Properties (H&S)	Contingency fund for compliance/ H&S remedial work.	34,000			
All Properties (H&S)	Repairs to car parks pot hole and other misc. repairs.		25,000		
Town Hall	Repair mosaic floor/matt wells to main entrance		8,000		
Town Hall	Repair Scagliola.		5,000		
Pump Room	Replace defective slates and service roof coverings generally.		3,000		
Municipal Offices	Repairs to render and window repairs.		25,000		
Municipal Offices	Replace remaining fire doors.		20,000		
Royal well	Resurface and line marking.		15,000		
Regent Arcade car park	Waterproof construction joints to upper decks.		20,000		
Pittville Recreation Centre	Main hall - Seat replacements (ongoing.)		10,000		
Pittville Recreation Centre	Replace fire door sets (corrosion damage to fixings).		20,000		
Pittville Recreation Centre	Replacement panels to boom.		30,000		
Prince of Wales Stadium	High level lighting inspection.		8,000		
Cemetery & Crematorium	External repainting to old chapel and repair gutters etc.		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	Road resurfacing programme		10,000		
AGM store at depot	Repairs to roof Works 3 (AGM Stores)		25,000		
All Properties	Estates works to be undertaken for lease purposes		20,000		
Town centre East car park	repairs and renewals		20,000		
Regent arcade car park	redecorations and repairs		20,000		
High Street Car Park	Resurface and line marking		1,000		
Cheft Walk	Rebuild retaining wall and tree surgery		7,000		
Montpellier café and art gallery	External repaint.		7,000		
Montpellier Gardens Railing	Rub down and repaint.		5,000		
Lechampton hill path	Rebuild areas.		10,000		
Benhall bridge	Rebuild.		25,000		
Leisure centre	Gym floor free weights area divots.		15000		
Leisure centre	Sauna room cladding & steam room retile, lights and bench		10000		
Leisure centre	CCTV – More cameras another hardrive.		3000		
Town Hall	Pillar room floor sand and seal.		4000		
Town Hall	Dressing rooms redecoration.		2000		
Pump Rooms	Dressing rooms redecoration.		1000		
Sub Totals:		£ 74,000	£ 396,000	£ -	£ 470,000

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

£ 470,000

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Briefing Note

Cabinet – 17th December 2019

Town Hall redevelopment

This note contains the information to keep Members informed of matters relating to the work of the Committee, but where no decisions from Members are needed

1. Why has this come to scrutiny?

1.1 To provide members with an update on the Town Hall redevelopment project.

2. Summary of the Issue

2.1 In 2017, the Council and the Cheltenham Trust jointly commissioned consultants to identify options for the redevelopment of the Cheltenham Town Hall. Despite considerable analysis and work, a deliverable option has not been identified. This briefing note summarises the work of the consultants and project team and outlines next steps.

3. Summary of evidence/information

3.1 Background

In 2014, the council sold North Place & Portland street car parks for £7.8m. Following public consultation on the use of the money, the council allocated £1.8m from the capital receipt with a commitment to top this up to £2.4m, subject to a business case for the development of the Town Hall.

The Town Hall generated a £275k surplus in 2018/19, CBC's retained costs for 2018/19 were £626k (including depreciation and impairment losses), therefore the net cost of the Town Hall in 2018/19 was £351k. Technical difficulties with the current building restrict the type of programming and commercial viability of the building and its appeal to future audiences. 4% of current audiences are 18-25 and 33% are over 55.

In 2016, a Joint Commissioning Group (JCG) was set up comprising offers from CBC and The Cheltenham Trust (TCT) to work collaboratively on developing the venues i.e. Town Hall, leisure@, Prince of Wales stadium and Pittville Pump Room managed by TCT under a management agreement.

The JCG jointly commissioned consultants to develop options for the Town Hall and, in July 2017, appointed Focus consultants to develop proposals which repurposed the building to deliver a venue which was fit for purpose, have a financially sustainable future and deliver social, economic and cultural outcomes for Cheltenham.

The council's Place Strategy set out the a**Page 52** be a place where culture and creativity thrives. The delivery of the Town Hall redevelopment project is complementary to and supports the delivery of the Place Strategy.

3.2 Summary of baseline analysis.

The Town Hall has a number of issues, summarised as follows:

- Venue is becoming commercially less viable and is hiring in technical equipment hire due to lack of investment e.g. lighting does not meet current touring standards.
- Maintenance cost of technical equipment is increasing as kit gets older.
- Ability to attract performers is diminishing as competitors invest and audience expectation increase e.g. £60m Colston Hall investment.
- Venue is relying on comedy and tribute bands and not developing TCT charitable ambition of enriching lives through varied cultural programming.
- Issues with main hall include the redundant broken organ taking out capacity, performers 'get in / out' difficulties, size of stage and lack of capacity (less than 1000 reduces the ability to attract quality performers).
- Lack of soundproofing which would allow simultaneous programming of spaces to nurture new talent, provide rehearsal space alongside commercial programming.
- Back stage facilities unchanged since 1903 e.g. with no proper gender division for changing.
- Public and backstage area has limited DDA compliance. Star college audit report highlights issues for wheel chair users.
- Single bar leads to overcrowding and poor customer experience.

TCT aspiration for Town Hall is to have a multi programmable space which will allow for the diversification of programming; develop smaller shows, develop talent and take risks working towards Arts Council goals that art should be for everyone and be diverse and our offer should be of artistic excellence (NPO criteria).

A significant amount of work was undertaken to establish a baseline position for the Town Hall including its existing usage (age profile and audience reach; expenditure and income levels; heritage assessment for both the building and its setting within the gardens and an assessment of the historical significance of the organ.

Benchmarking against other venues across the country was undertaken and the project team visited a number of venues which had undergone refurbishment and repurposing including Battersea Arts Centre, Colston Hall, Birmingham Town Hall and The Atkinson in Southport.

Analysis of the existing building was undertaken including a SWOT analysis and, through a workshop, a list of 'essential' and 'desirable' requirements was established.

The consultants, working with the JCG, undertook significant consultation with stakeholder groups including Cheltenham Festivals and the Wilson collective who made a presentation to council making a case for a 'place to go' to participate in activity which supports their development which could deter them from engaging in anti-social behaviour.

3.3 Options appraisal – initial findings

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A number of concepts for the Town Hall were including (i) visitor attraction; (ii) world class performance space; (iii) conference venue; (iv) community arts centre which helped shape the 5 redevelopment options. The community arts centre was the most well received proposal. These options range from a minimal option of refurbishment within the existing footprint of the building to extending into the gardens to meet all requirements.

The concepts were also considered in the context of Cheltenham's Place Strategy, and assessed in terms of how they helped to deliver the strategy's vision for Cheltenham as a place:

- Where all our people and the communities they live in thrive;
- Where culture and creativity thrives, is celebrated and enjoyed throughout the year;
- Where businesses and their workforces thrive; and
- Where everyone thrives.

The cultural ambition set out in the Place Strategy is that Cheltenham is internationally renowned for its culture, heritage, food and sport. One of its three cultural aspirations is that Cheltenham has a sustainable future for its cultural organisations and buildings. The supporting action is to:

"Develop a new vision and masterplan for Cheltenham Town Hall that enables a significant increase in our festival and events programme...."

Therefore, this work was developed to meet these needs: to support the growth for Cheltenham's festival and events programme and to support a new, inclusive space to deliver and support creative access for the entire community in a variety of ways.

For each of the 5 options, concepts have been developed which outline:

- Capital cost of each option, potential external funding opportunities (e.g. lottery, Arts Council and Heritage Lottery fund) and the funding gap
- Additional revenue generated from additional activity for each option.
- Extent to which 'essential' and 'desirable' requirements are met
- Potential scale of any proposed extension
- Impact of the options on the historic assessment
- The impact on socio economic outcomes
- Delivery against social, economic, community and Place Strategy outcomes.

The result of this work are options which range from option 1 – minimal, refurbishment within the existing footprint at a capital cost of circa £8.8m to option 5 which delivers all requirements within a reasonably sized extension at circa £29m. Comparators indicate that the most expensive option compares to other national projects, Birmingham Town Hall cost £35m in 2007 and Colston Hall is estimated to cost £68m.

The potential additional revenue generated ranges from circa £88k p.a. (option 1) to circa £290k p.a. (option 5).

The external fundraising climate has become more challenging with HLF funding being focused on buildings which are 'at risk' and lottery fund opportunities now closed until 2021/22. Each option assesses the potential for external funding and identifies a funding gap which ranges from option 1 – circa £7.3m to option 5 - circa £19.7m.

The conclusion of this initial work was that none of the 5 options identified are deliverable in the context of the local and current national arts funding scenario.

Given the magnitude of the capital investment required and the level of funding gaps identified for each option, the project team worked with Focus to explore the development of

a further 'hybrid' option which may be ph~~e~~Page 54ealistically more deliverable within the national and local funding context.

The hybrid option considered early phasing of elements of the building e.g. access, sound separation which will facilitate concurrent programming of spaces to allow for a change in emphasis from predominantly 'commercial' to inclusive and accessible programming which attracts younger and new audiences and delivers the ambitions set out in the Place Strategy, whilst still enabling the commercial business case to continue.

This could also enable TCT to apply for National Portfolio Organization (NPO) status which could attract core funding of up to £250k p.a. for a 5 year period and potentially access further Arts Council England (ACE) capital funding. To achieve ACE support, the programme needs to (i) demonstrate artistic excellence with innovative and diverse programming, whilst supporting talent development; (ii) adopt an inclusive and accessible program reaching those least engaged in the arts and culture and (iii) support for young people accessing the arts and encourage a lifelong engagement with creativity in all its forms.

3.4 Update on further option.

Focus has provided the project team with a further option to move the redevelopment forward.

Option 6 - This option is at a reduced cost overall of £25m compared to the original option 5, developed in phases.

- Phase 1 - would focus on sound separation; front of house technical and bar improvements within old building and new garden / café bar and rehearsal studio including landscaping / park improvements at a cost of £8.3m.
- Phase 2 – refurbishment / improvement to M&E including refreshed landscape and new main stage house at a cost pf £10.1m
- Phase 3 – new studio theatre extension including additional paving and new education studios extension. This would deliver the ultimate goal of a community arts centre largely funded by external fundraising, some of which may require NPO status at a cost of £6.7m.

The approximate cost of phase 1 is c£8.3m but still has a funding gap of c£2.7m and the suggestion is that this gap would need to be filled by further funding by the council.

The consultants also concluded that the issue of the length of the lease also needed resolving to support funding applications.

3.5 CBC / TCT Options

Given the conclusion of the work to date, the following is a summary of the options available to the Council and the TCT.

1. Do nothing
2. Progress phased development of the Town Hall (option 6)
3. Invest a sum of circa £1m to pump prime the commercial opportunities identified by TCT (including investment which both sustains and grows income at the Town Hall) and request that the council set aside the balance of £0.5m towards funding capital investment in CBC cultural assets following the completion of the development of the Cultural strategy.

4. Build a light weight café / bar and **Page 55e** structure on the back on the Town Hall.

The CBC lead Cabinet member requested that the following additional option is explored.

5. Set up a free school based on performing arts provision.

Each of these options has its challenges. A summary assessment of each option follows:

Option	Pros	Cons
1. Do nothing	<ul style="list-style-type: none"> • Does not commit capital funding. • Releases TCT and CBC capital / human resources for other projects. 	<ul style="list-style-type: none"> • Does not address the issues with the Town Hall. • Lack of development makes it less commercially viable to touring act as a result of equipment hire costs - estimated net additional net cost / loss of revenue impact c£0.5m over 5 years (excludes income growth potential). • Will not keep pace with competition from other venues where investment has been made e.g. Colston Hall, Birmingham Town hall and Symphony Hall. • The ability of the Town Hall to function as an entertainment venue in the future is more uncertain. • Does not deliver on CBC Place shaping aspiration for culture and creativity to thrive. • Does not meet TCT aspirations to grow audiences, increase programming flexibility and cultural offering. • Quadrangle includes café / restaurant within refurbishment which may further impact on the garden bar offering if it is not enhanced.
2. Progress phase 1 redevelopment of the Town Hall (option 6) leading to other phases	<ul style="list-style-type: none"> • Would fulfil TCT / CBC aspiration for reimagining of the building. • Investment in programmable spaces to allow TCT to move away from only being able to programme one solo commercial performance serving current recurring 	<ul style="list-style-type: none"> • Cost of scheme still c£8.3 m and ultimate cost of £25m with significant funding gap. Phase 1 has a funding gap of c£2.7m and overall (all phases of £15m) - CBC are unable to bridge this funding gap. • External fundraising target

	<p>ageing audience demographic.</p> <ul style="list-style-type: none"> • Allows TCT to grow audiences, increase programming flexibility and cultural offering. • Would facilitate development of outreach programme through provision of studio space, smaller programmable spaces. • Would open doors to future generation. • Maximises potential of the building within the setting of Imperial gardens. • Opens up potential cultural funding pots not currently viable, including support towards core costs • Meets Place Strategy aspirations 	<p>would be challenging,</p> <ul style="list-style-type: none"> • The extensions into the Imperial gardens may be unacceptable to planners, conservationists and the public.
<p>3. Invest a sum of circa £1m pump prime the commercial opportunities identified by TCT (including investment which both sustains and grows income at the Town Hall) and request that the council set aside the balance of £0.5m towards funding capital investment in CBC cultural assets following the completion of the development of the Cultural strategy.</p>	<ul style="list-style-type: none"> • Could address some immediate practical barriers to programming and attracting performers – see initial ‘shopping list’ at Appendix 1. • Future cultural strategy would reflect a more holistic view of overall cultural needs in Cheltenham based on outcomes which emerge from the development of the Cultural strategy. • May lever in match funding for a more holistic cultural development programme e.g. support the redevelopment potential of Wilson phase 2. • May attract external fundraising e.g. sponsorship or crowdfunding if ‘owned’ by public. • Support retention of current customers and support of current Town Hall business case, to support The Cheltenham Trust overall • Since funding sources may not require ACE or lottery, the issue of resolving the length of the lease is less of a concern. 	<ul style="list-style-type: none"> • Does not fulfil original aspiration for reimagining the building. • Would not fully allow the TCT to grow audiences, increase programming flexibility and cultural offering. • Would not fully facilitate the development of the outreach programme through provision of studio space, smaller programmable spaces. • Would not lever in any external funding. Decline in programming and revenue may accelerate the decline in the Town Hall.

<p>4. Build a light weight café / bar and new entrance structure on the back on the Town Hall.</p>	<ul style="list-style-type: none"> • Capitalises on Page 57 of the setting and south facing aspect of Imperial gardens. • Could be a statement building / destination F&B offer which supports programming / attracts new audiences and CBC's place shaping aspirations. • Ensures that the F&B offer does not fall behind improving neighbouring offer. • Would release Pillar room and buffet for smaller scale programming of events. • Supports business plan projections but does not make significant contribution. 	<ul style="list-style-type: none"> • As per 3 above. • Does not address sound separation • Would be difficult to justify this when there are issues with the venue and customer experience which need addressing first.
<p>5. Set up a free school based on performing arts provision.</p>	<ul style="list-style-type: none"> • Could help deliver against CBC objectives for '<i>no child left behind</i>'. • Could attract new educational funding stream. • Would need to set up a charitable trust who could fundraise 	<ul style="list-style-type: none"> • Complex and time consuming to set up. • Would need to remove from Town Hall from the TCT management agreement • Would need to identify 'need' within the community to support the requirement for a free school e.g. demand for school places i.e. identify that demand exceeds supply. • Would need to justify need for alternative provision i.e. Build the case for provision where traditional education model fails children's needs. • Would need to find a community advocate to support and promote the setting up of a school. • No guarantee that a specific building is appropriate for a school or would be supported – town hall is constrained by historic nature and may not be convertible to a school.

The unallocated budget, following funding the survey and consultants work on the project and support to the TCT, stands at £1.6m.

3.6 Recommendations

The project team recommend option 3 i.e.

Invest a sum of circa £1m pump prime Page 58rcial opportunities identified by TCT (including investment which both sustains and grows income at the Town Hall) and request that the council set aside the balance of £0.6m towards funding capital investment in CBC cultural assets following the completion of the development of the Cultural strategy.

4. Next Steps

- 4.1** The TCT is in the process of developing a 5 year capital strategy which will identify potential investment which delivers a return and will increase revenue to the TCT.
- 4.2** In its interim budget proposals for 2020/21, the Cabinet is proposing to set aside £1m to support commercial investment in the TCT – see separate item.
- 4.3** Detailed business cases for commercial investment opportunities will be developed for consideration by the Joint Commissioning Group, the collaboration of CBC and TCT officers which was set up to oversee projects which impact on CBC buildings managed by the TCT. Projects supported by this group will be formally approved within the parameters of the existing council financial rules.

Background Papers

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Accountability

Flo Clucas

Scrutiny Function

Overview and Scrutiny