



## Notice of a meeting of Council

**Monday, 23 March 2020**  
**2.30 pm**  
**Council Chamber - Municipal Offices**

<b>Membership</b>	
<b>Councillors:</b>	Roger Whyborn (Chair), Sandra Holliday (Vice-Chair), Victoria Atherstone, Matt Babbage, Paul Baker, Garth Barnes, Dilys Barrell, Angie Boyes, Nigel Britter, Jonny Brownsteen, Flo Clucas, Chris Coleman, Mike Collins, Stephen Cooke, Iain Dobie, Bernard Fisher, Wendy Flynn, Tim Harman, Steve Harvey, Rowena Hay, Alex Hegenbarth, Karl Holey, Martin Horwood, Peter Jeffries, Steve Jordan, Chris Mason, Paul McCloskey, Andrew McKinlay, Tony Oliver, Dennis Parsons, John Payne, Louis Savage, Diggory Seacome, Malcolm Stennett, Jo Stafford, Klara Sudbury, Simon Wheeler, Max Wilkinson, Suzanne Williams and David Willingham

### A Moment of Reflection

(to be led by the Mayor's Chaplain- Rev Luke Goodway)

*This will be of an inclusive nature and held in the Cambray Room at 14:15. All Members are welcome to participate but need not do so.*

## Agenda

<b>1.</b>	<b>APOLOGIES</b>	
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	
<b>3.</b>	<b>MINUTES OF THE LAST MEETING</b> Minutes of the last meeting held on 17 <sup>th</sup> February 2020.	(Pages 5 - 34)
<b>4.</b>	<b>COMMUNICATIONS BY THE MAYOR</b>	
<b>5.</b>	<b>COMMUNICATIONS BY THE LEADER OF THE COUNCIL</b>	
<b>6.</b>	<b>TO RECEIVE PETITIONS</b> Deferred	
<b>7.</b>	<b>PUBLIC QUESTIONS</b> None received.	

<b>8.</b>	<b>MEMBER QUESTIONS</b> Members have withdrawn their questions.	
<b>9.</b>	<b>CONSIDERATION OF A PETITION ENTITLED "WE CALL FOR URGENCY ON OUR CLIMATE EMERGENCY"</b> The petition has been deferred until a future meeting of Council is convened	
<b>10.</b>	<b>ADOPTION OF REVISED SEXUAL ENTERTAINMENT VENUE POLICY</b> This item has been deferred.	
<b>11.</b>	<b>CAPITAL, INVESTMENT, TREASURY AND MRP STRATEGIES AND STATEMENTS 2020/21</b> Report of the Cabinet Member Finance	(Pages 35 - 92)
<b>12.</b>	<b>COUNCIL DIARY - SEPTEMBER 2020 TO AUGUST 2021</b> This item has been deferred.	
<b>13.</b>	<b>NOTICES OF MOTION</b> This item has been deferred.	
<b>14.</b>	<b>ANY OTHER ITEM THE MAYOR DETERMINES AS URGENT AND WHICH REQUIRES A DECISION</b> Update to the Constitution	(Pages 93 - 114)

**Contact Officer:** Bev Thomas, Democratic Services Team Leader, 01242 264246  
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**Gareth Edmundson**  
**Chief Executive**

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More information can be found in [Appendix K](#) of the Council Constitution.

### **Further questions and contact details**

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If you have any questions on the issue of filming/recording of meetings please contact  
Democratic Services on 01242 264246 or email  
[democratic.services@cheltenham.gov.uk](mailto:democratic.services@cheltenham.gov.uk)

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## Council

**Monday, 17th February, 2020**

**2.30 - 6.55 pm**

Attendees	
<b>Councillors:</b>	Roger Whyborn (Chair), Victoria Atherstone, Matt Babbage, Paul Baker, Dilys Barrell, Angie Boyes, Nigel Britter, Jonny Brownstein, Flo Clucas, Chris Coleman, Mike Collins, Stephen Cooke, Iain Dobie, Bernard Fisher, Wendy Flynn, Tim Harman, Steve Harvey, Rowena Hay, Alex Hegenbarth, Karl Hobley, Peter Jeffries, Steve Jordan, Paul McCloskey, Andrew McKinlay, Tony Oliver, Dennis Parsons, John Payne, Louis Savage, Diggory Seacome, Malcolm Stennett, Klara Sudbury, Simon Wheeler, Max Wilkinson, Suzanne Williams and David Willingham

## Minutes

### 1. APOLOGIES

Apologies were received from Cllrs. Barnes, Holliday, Horwood, Mason and Stafford.

### 2. DECLARATIONS OF INTEREST

Cllr. Jordan declared an interest in agenda item 11 as a member of the Business Improvement District board, Cllr. Sudbury declared a personal but non-prejudicial interest in the budgetary items as a county councillor, and Cllr. Williams declared an interest in the same items as a Board Member of Cheltenham Borough Homes (CBH).

### 3. MINUTES OF THE LAST MEETING

The minutes of the meeting on 16th December 2019 were approved and signed as a correct record.

### 4. COMMUNICATIONS BY THE MAYOR

The Mayor spoke about a number of recent events, including Holocaust Memorial Day and the No Child Left Behind awards, praising those involved.

### 5. COMMUNICATIONS BY THE LEADER OF THE COUNCIL

The Leader of the Council expressed his sympathy to Cllr. Stafford, who recently suffered a personal bereavement and is expected to take a break for several months as a result.  
He concurred with the Mayor's praise of the No Child Left Behind awards, and noted that he was pleased to see the return of Light Up Cheltenham, which is likely to be very popular during the half-term week.

### 6. TO RECEIVE PETITIONS

There were none.

7. **PUBLIC QUESTIONS**

1.	<b>Question from Amber Astron Christo to Cabinet Member Clean and Green Environment, Councillor Chris Coleman</b>
	<p>Why does the Council continue to fail to sweep up the leaves in the roads throughout Cheltenham?</p> <p>If you do not sweep up the leaves, they are rapidly reduced to silt in wet weather, which sits as deep mud on the roadsides/pavements and then gets washed into the drains, causing flooding in the roads and further afield as the silt moves into the Chelt and the river system; then, in dry weather, the micro-particles become airborne and create breathing problems when inhaled.</p> <p>Why bother with slogans like 'Clean &amp; Green' while you are failing the people of Cheltenham at the most basic level?</p>
	<b>Response from Cabinet Member</b>
	<p>I do not share your view that the Council is failing the people of Cheltenham. Cheltenham is proud of the amount of trees it has in the town and we are actively encouraging the planting of more trees as part of a response to the climate emergency. The many trees we have in the town in streets, parks and open spaces do however mean that a lot of leaves fall on the ground, not just during the Autumn period.</p> <p>Ubico, on behalf of the Council, undertakes road sweeping operations using two 15T mechanical road sweepers throughout the borough all year round, irrespective of the leaf fall period. In addition to the mechanical road sweeping, teams of operatives manually clear leaves from pavements, grass verges, open spaces and roads. A planned maintenance programme, including deep cleans, takes place each year which includes leaf clearance and digging out detritus from gullies. For information, the December 2019 deep clean programme covered the following roads:</p> <p>9 Dec: Edward St, Brandon Place, Tryers Road, Suffolk St</p> <p>10 Dec: Painswick Road (Suffolk Road - Grafton Road)</p> <p>11 Dec: Painswick Road (Grafton Road - Shurdington Road)</p> <p>12 Dec: Grafton Road</p> <p>13 Dec: St Philips Street, Norwood Road, Shurdington Rd (Bath Rd –Moorend Pk Rd)</p> <p>16 Dec: Park Place</p> <p>17 Dec: Gratton Road</p> <p>18 Dec: Ashford Road</p> <p>19 Dec: Andover Road &amp; Andover Street</p> <p>24 Dec: Princes St &amp; Sydenham Road North</p> <p>To further improve the quality of street cleansing the Council, working in partnership with Ubico, is actively seeking better joined up working arrangements with</p>

	Gloucestershire County Council Highways.
	<b>Supplementary Question</b>
	The questioner did not take the response as read.
	<b>Response from Cabinet Member</b>
	I do not accept the premise of the question. There is a continuous process of cleaning up leaves, as outlined in the original answer.
<b>2.</b>	<b>Question from Amber Astron Christo to Cabinet Member Development and Safety, Councillor Andrew McKinlay</b>
	<p>a) Do you wish to install Uber in Cheltenham, seeing as it was recently exposed in London as failing to do security checks on all their drivers, while destroying the livelihoods of local cabbies?</p> <p>b) By insisting on larger wheelchair access vehicles only, why are you are prioritising access to a minority of wheelchair-using passengers over the majority, who either have no wish to use a large van-like vehicle to travel from town, or passengers who have back/knee problems or other disabilities, which make accessing these higher vehicles painful and difficult?</p> <p>c) Why can't you come up with a formula to have a reasonable number of cabs on the ranks accessible for wheelchair users (perhaps they could have their own area on the rank), rather than insisting on all of the cabs being of this type?</p>
	<b>Response from Cabinet Member</b>
	<p>a) Uber is able to operate in Cheltenham without being licensed to operate here through a combination of deregulation of licensing laws and weak primary legislation dating back to 1847.</p> <p>Taxi and private hire licensing law has become very complex but in very simple terms, as long as the Uber vehicle and driver is licensed by the same authority as the Uber operating licence, there is a "right to roam". This means that, in this case, Uber cars can roam anywhere and accept bookings provided that the journey is properly booked in advance (via the phone app) and the journey is recorded against the operating licence associated with the Uber vehicle being hailed.</p> <p>Therefore, an Uber car licensed, for example, by Bath and North East Somerset Council can accept bookings in Cheltenham if:</p> <ul style="list-style-type: none"> <li>• The driver and vehicle are also licensed by Bath and North East Somerset Council; and</li> <li>• The hailing is made via the Uber phone app (and therefore not plying for hire); and</li> <li>• The booking is recorded against the Uber operating licence issued by Bath and North East Somerset Council (and therefore dispatched by Uber Bath).</li> </ul> <p>Ms Astron Christo may be interested to read a fuller explanation of this in the May edition of the Trade Times: <a href="https://mailchi.mp/2e47c96bf93a/trade-times-may-">https://mailchi.mp/2e47c96bf93a/trade-times-may-</a></p>

	<p><a href="#">19?e=[UNIQID]</a></p> <p>Provided that Uber cars comply with the rules outlined above, this council is powerless to act. Where Uber cars do not comply with the rules, the council can act and has, for example see:  <a href="https://www.cheltenham.gov.uk/news/article/1836/london_uber_driver_prosecuted_for_illegally_plying_for_hire_in_cheltenham">https://www.cheltenham.gov.uk/news/article/1836/london_uber_driver_prosecuted_for_illegally_plying_for_hire_in_cheltenham</a>  <a href="https://www.cheltenham.gov.uk/news/article/2368/drivers_prosecuted_for_illegally_plying_for_hire">https://www.cheltenham.gov.uk/news/article/2368/drivers_prosecuted_for_illegally_plying_for_hire</a></p> <p>b) The council's decision to adopt a policy requiring public hire vehicles to be wheelchair accessible was thoroughly consulted on and scrutinised. The council is of the view that it is important that the travelling public have equal access to services, recognising that disability comes in a variety of forms.</p> <p>Members of the public who may struggle with access to licensed vehicles due to the policy change can continue to use saloon type vehicles through the private hire trade.</p> <p>c) Officers considered a variety of ways to implement a wheelchair accessible policy. However, there was no fair way of doing so other than applying the policy to the whole trade. There was recognition that the policy will incur additional costs on the public hire trade and there was no approach that would have made it fair for some licensed vehicles to have incurred the costs and for others not.</p> <p>There is no legislative approach or statutory guidance on an approach to implement a partial wheelchair accessible policy that Members could rely on to provide some form of legitimate basis.</p> <p>The overriding concern for Members remained equal access to services however and based on this, Members took the view that a full fleet of wheelchair accessible vehicles is appropriate.</p>
	<b>Supplementary Question</b>
	The questioner did not take the response as read.
	<b>Response from Cabinet Member</b>
	I do not accept the assertion that having wheelchair-accessible vehicles discriminates against non-disabled people. Some people have very specific requirements which are not met by the majority of vehicles and have to make specific arrangements. It is difficult to hire private hire vehicles who can offer these specific arrangements, and often not possible while standing at a taxi rank.
<b>3.</b>	<b>Question from James Lodge to the Leader of the Council, Councillor Steve Jordan</b>
	<p>Within the West Cheltenham Strategic Master Plan, SPD dated December 2019, there are references to the need for high density developments:</p> <ul style="list-style-type: none"> <li>• Page 12, objective E</li> <li>• Page 29, B4 'and a key driver to increase densities'</li> <li>• There are other areas within the document that seem at odds with the above statements:</li> </ul>

	<ul style="list-style-type: none"> <li>Page 34, C2 relating to the existing topography and strategic landscape character, with consideration given to long views to the Cotswolds and Hayden Hill.</li> <li>Pages 51 and 53 mentions 2 recent developments as being 'examples of cutting edge development'. Neither of these have building elevations anywhere near those proposed within this document i.e. page 58 states 'up to 6 storeys'</li> </ul> <p>Would you please provide the financial calculations that identify the need for high density buildings, especially as relating to buildings of 3 storeys and above?</p>
	<b>Response from Cabinet Member</b>
	<p>High density does not necessarily mean 3+ storey buildings, although both high density and higher than traditional (2 storey) buildings are referenced in the SPD.</p> <p>The reasons for considering high density and/or higher (vertically) than traditional 2 storey development include:</p> <ul style="list-style-type: none"> <li>- Efficient use of land (i.e. high density development accommodates more activity on a fixed space than lower density development)</li> <li>- Creating a sufficient population in a given area to support service and facility provision</li> <li>- To enhance economic productivity</li> </ul> <p>The eventual densities and heights across the site will be determined through the planning application process. This will be a balance between meeting the final SPD's aspirations and identified constraints, understanding the contributions made through the planning application consultation process and the financial implications of developing high density, high (vertically) buildings, amongst other things.</p>
<b>4.</b>	<b>Question from James Lodge to the Leader of the Council, Councillor Steve Jordan</b>
	<p>Parking</p> <p>Also relating to the Cheltenham Strategic Master Plan, SPD dated December 2019:</p> <ul style="list-style-type: none"> <li>Page 47, item D7 mentions that 'large expanses of surface parking will not be permitted'</li> </ul> <p>Will this also be applied to current GCHQ parking, so that the existing surface parking area would be replaced by a multi storey facility, which is urgently needed to alleviate the excessive and extensive on-street parking all around this facility?</p>
	<b>Response from Cabinet Member</b>
	<p>The planning system (for example through Supplementary Planning Document) cannot require existing operations to make physical changes in the way implied through the question. Parking provision at GCHQ is the responsibility of GCHQ, although the Council has been working with them and Gloucestershire County Council as Highways Authority to minimise the impact of commuter parking in the area.</p>
<b>5.</b>	<b>Question from Trudie Wheat to the Leader of the Council, Councillor Steve Jordan</b>

	On page 18 of the West Cheltenham Strategic Master Plan, SPD dated December 2019 item 3.2.3 mentions solar/wind potential. If wind turbines are being considered, what would be the maximum height from ground level and what would be the maximum blade length?
	<b>Response from Cabinet Member</b>
	The Draft SPD is seeking to explore and establish principles, in this case for renewable/green energy sources. No turbines are identified at this stage, but they may form part of the energy solution for a future scheme. Should turbines be considered appropriate as part of the energy strategy for detailed proposals, they would be the subject of a planning application which would specify size/height/location etc.
<b>6.</b>	<b>Question from Maureen Dolan to the Leader of the Council, Steve Jordan</b>
	What plans, if any, are being made for Fiddlers Green Lane?  My concerns (which I share with many others) are firstly the volume of traffic and the weight of the vehicles using the lane, i.e. double loaded car transporters, coaches and 18 ton lorries, to name but a few.
	<b>Response from Cabinet Member</b>
	Cheltenham and Tewkesbury Borough Councils are currently consulting on the 'Cyber Central Garden Community West Cheltenham Strategic Masterplan Draft Supplementary Planning Document' <a href="https://cybercentral.commonplace.is/schemes/proposals/view-the-full-supplementary-planning-document-spd-what-happens-next/details">https://cybercentral.commonplace.is/schemes/proposals/view-the-full-supplementary-planning-document-spd-what-happens-next/details</a> .  This consultation document contains the emerging strategic masterplan (not final plans) for the land west of Fiddlers Green Lane. I would encourage anyone with views to feed them in to the consultation which closes on 17th February.
<b>7.</b>	<b>Question from Maureen Dolan to the Leader of the Council, Steve Jordan</b>
	Can Fiddlers Green Lane be made to only allow cars to use it? Taking into account this would have to be after the turning into Meadow Close up to Telstar Road. I would like to see traffic calming in the form of narrowing of the lane as in chicanes. These would slow down the traffic and reduce parking.
	<b>Response from Cabinet Member</b>
	It is too early to determine exactly what, if any, changes need to be made to the road network in West Cheltenham to accommodate proposed growth at West Cheltenham (Cyber Central). This will be done through the planning application process.
	<b>Supplementary Question</b>
	The questioner was not present and so no supplementary question was asked.
	<b>Response from Cabinet Member</b>
	The Leader of the Council added that the closing date for the consultation referred to in the question was the day of this meeting, Monday 17 <sup>th</sup> February.

<b>8.</b>	<b>Question from the Charmian Sheppard, Hesters Way Neighbourhood Plan Forum, to the Leader of the Council, Councillor Steve Jordan</b>
	<p>Seven and a half thousand employees and 3000 dwellings will create a massive increase in traffic, despite noble schemes for improving green alternatives to coax people away from the car. The Hester's Way Neighbourhood Plan Forum and residents neighbouring the new Cyber Central Garden Community area are concerned about the increase in traffic along Fiddlers Green Lane and nearby roads that this development will bring and the impact on their quality of life. The Government's Garden Communities Prospectus does make reference to the need "to build places people are happy to call home... places that lift our spirits whether we live in them or merely pass through."</p> <p>The SPD "Cyber Central Garden Community" not only recognises the importance of upgrading Junction 10 when it comes to the new development and traffic management, it seems to hinge on it.</p> <p>It is understood that if Junction 10 is not upgraded, other road infrastructure improvements will have to take place at a cost to developers of the site. This would reduce the funds available for high quality environmental sustainability, may mean less affordable homes and would almost certainly impact on the community offer. It would undermine the entire SPD and what it seeks to achieve, certainly in the context of a Garden Community.</p> <p>Will the Leader commit to ensuring a new SPD is drawn up for the site should Junction 10 upgrading not happen or the work be planned so far into the future that the initial phases of the development would be completed before the Junction upgrade?</p>
	<b>Response from Cabinet Member</b>
	<p>Should M5 Junction 10 not be upgraded, it is possible/likely that the SPD would need to be revised to take into account alternatives. We are expecting an announcement on Junction 10 as part of Governments Spring Budget announcements in March 2020, before we plan to present the SPD to Full Council in April 2020.</p> <p>If Junction 10 is approved but the works are far into the future, it may be that controls would be imposed to limit development until such a time that works to deliver an all movement junction had been completed.</p>

**8. MEMBER QUESTIONS**

<b>1.</b>	<b>Question from Councillor Max Wilkinson to the Cabinet Member Development and Safety, Councillor Andrew McKinlay</b>
	<p>Members will doubtless welcome the shrinking of the town's air quality management area - this is a notable success in improving the air quality experienced by local residents. However, the legislation governing AQMAs is useful but blunt. It does not take into account spikes in pollution at certain times of day - for example school pickup and drop-off, when the lungs of vulnerable children are subjected to harmful vehicle pollution at the school gate. In answer to a previous question at council, the cabinet member suggested he was open to discussions on using council equipment to monitor air quality outside schools. This possibility was again acknowledged by Gareth Jones, Senior Environmental Health</p>

	Officer, at January's O&S meeting. Now we have spare monitoring equipment due to the redrawing of the AQMA, will the redeployment of monitoring equipment outside schools be part of our future activities?
	<b>Response from Cabinet Member</b>
	<p>The Air Quality legislation does include short-term exposure limits for some pollutants. Of note, is the short-term limit for NO<sub>2</sub>, which is set at 200ug/m<sup>3</sup> and can be exceeded up to 18 times per year. This limit is not exceeded at any measurement location in Cheltenham and research has shown that such levels would coincide with an annual mean level in excess of 60ug/m<sup>3</sup>, which is also not breached in any part of the town. Further details are contained in the annual reports submitted to DEFRA, which are available on our website.</p> <p>We don't have 'spare' monitoring equipment as a result of the changes to the Air Quality Management Area (AQMA). All existing equipment will be re-deployed as necessary to monitor sites in and around the new AQMA, or at other areas of concern. One of these sites is immediately outside a primary school.</p> <p>The Environmental Protection team is in the early stages of working with Gloucestershire County Council to develop a project to work more closely with local schools on local air quality. This will also support the request from CBC Overview and Scrutiny Committee to work with schools to improve air quality. There are likely to be significant costs associated with the proposed project, particularly if further monitoring equipment is required, along with staff resources to help deliver successful outcomes; this will therefore require a project proposal and business case being produced for CBC's approval and funding consideration.</p>
	<b>Supplementary Question from Councillor Max Wilkinson to the Cabinet Member Development and Safety, Councillor Andrew McKinlay</b>
	Thank you for clarifying that although the Air Quality Management Area (AQMA) is shrinking, air quality monitoring is not stopping in that part of town. On the question of schools, it is important to be able to make the case for intervention against wasteful journeys, which are bad for the environment and public health. Will the council work with schools and pressure the county council to do more about this?
	<b>Response from Cabinet Member</b>
	Yes, we will do so, since schools are the responsibility of the county council rather than the borough council. Air quality monitoring must be consistent rather than short-term, outside schools in particular – the data gathered is not as valuable if it only offers a 'snapshot' of the situation, rather than being able to identify long-term trends. The data produced must be fully developed and continuous.
<b>2.</b>	<b>Question from Councillor Max Wilkinson to the Cabinet Member Healthy Lifestyles, Councillor Flo Clucas</b>



	<p>Cold War Steve is making his International Exhibition of The People artwork freely available to anyone who wishes to host it. This is an opportunity to fill an empty shopping unit, make use of a derelict building, or display the work in a new and unusual location. Cheltenham BID has agreed to make initial enquiries. Will the council support the initiative to boost local tourism and will the cabinet member commit to working with other organisations, such as the Cheltenham Trust, to make this a reality?</p>
	<p><b>Response from Cabinet Member</b></p>
	<p>The Cabinet Member is happy to spread the word about the availability of this free to download exhibition, but as there will still be costs associated with printing, mounting and displaying the 23 images, plus decisions about the suitability of some of the images for family consumption, she will leave it to others to determine whether this would be viable.</p> <p>For more information:</p> <p><a href="https://www.coldwarsteve.com/2020/01/28/you-me-cold-war-steve-the-international-exhibition-of-the-people/">https://www.coldwarsteve.com/2020/01/28/you-me-cold-war-steve-the-international-exhibition-of-the-people/</a></p>
	<p><b>Supplementary Question from Councillor Max Wilkinson to the Cabinet Member Healthy Lifestyles, Councillor Flo Clucas</b></p>
	<p>Thank you for your answer. I am pleased to see that there are background discussions going on. Projects like this are an opportunity to bring more volunteers into the Trust and involve people in civic life. Is the council working with the Trust and BID in resourcing any possible exhibitions?</p>
	<p><b>Response from Cabinet Member</b></p>
	<p>I am willing to look into how the council can best do this. Once a strategy is identified, then the key aims can be pursued.</p>
3.	<p><b>Question from Councillor Max Wilkinson to the Leader of the Council, Councillor Steve Jordan</b></p>
	<p>The landlords of 17 empty shops in Cheltenham have not bothered to reply to local requests for their engagement in ensuring our town centre thrives. Many local people will be disturbed by this news and will want these absentee, unaccountable property owners to be held to account. Unrealistic rents are undoubtedly a problem in finding future tenants, as is the government's steadfast refusal to abolish the failed business rates system. Cheltenham is definitely doing better than comparable destinations, but the leader rightly recognised in a recent radio interview that we must not be complacent. What representations is the leader making to local retail property landlords and the government to ensure we are doing all we can to make the right case to those in positions of power, including influencing harmful national policies?</p>
	<p><b>Response from Cabinet Member</b></p>

	<p>As a Council we have always aimed to invest in the town to make it an attractive place to live, work or visit. The issue of engaging property owners remains a challenge. Cheltenham has perhaps been more fortunate than other towns due to the fact that it has both a BID and a Development Task Force; both of which have delivered significant transformation through active dialogue with property investors and end users.</p> <p>Both agencies have held round table discussions with local and national property companies and commercial agents to explore what can be achieved with existing portfolios, given the challenges being faced by retailers.</p> <p>Some of these bear fruit as in the case of Metro bank and their landlord; the change of use to the upper floors of the Radley retail unit, and the window treatment at the former Austin Reed store, but equally it is difficult to successfully access other players.</p> <p>In addition to supporting the work of the BID and Task Force, I have written separately to the owners and occupiers of Cavendish House given the importance of this site.</p> <p>This O&amp;S committee have equally asked for an update on the performance of the town for their meeting on 24th February 2020.</p> <p>In October last year an all-party group of MPs demanded change to business rates system by spring 2020. There remains a plea from the Association of Town Centre Managers and other commercial groups. The Retail Gazette of 13/02/20 notes that more than 50 major retailers have written to the Chancellor demanding business rates overhaul in the Budget next month. I am also writing to the new Chancellor to encourage urgent reform to business rates.</p>
<b>4.</b>	<b>Question from Councillor Max Wilkinson to the Cabinet Member Housing, Councillor Peter Jeffries</b>
	<p>The news that our £100million investment in affordable houses for Cheltenham people has been signed off will be welcomed locally. Communicating this news to the wider public is a key goal for the council. Can we be assured that local ward members whose areas will benefit from investment will be involved with these schemes, so members can spread the good news? And will sites funded by the scheme be branded accordingly before and during construction?</p>
	<b>Response from Cabinet Member</b>
	<p>Communicating the significance of this council's £100m investment in providing high quality homes and thriving communities for families and young people is a high priority for me, and this Liberal Democrat administration. As such we will be promoting this investment as a significant vote of confidence, investing in Cheltenham's future.</p> <p>We will do this via a range of mechanisms. This will include, as referenced in your question, site specific promotion activities, both before,</p>

	<p>during and upon completion of construction.</p> <p>CBC and CBH communication teams have been working together on an interim communication plan and within this we have identified the importance of engaging with local ward councillors, which we have and will continue to do.</p> <p>The longer term communications plan, soon to be finalised, will be more comprehensive so as more projects start to come to fruition and our housing supply increases, there will be more opportunities to promote what we are doing – and this will include using a recognisable brand to give the housing investment plan a sense of identity.</p>
<b>5.</b>	<b>Question from Councillor Louis Savage to the Cabinet Member Development and Safety, Councillor Andrew McKinlay</b>
	<p>The addition of a height restriction barrier at the car park at Queen Elizabeth II Park has been warmly welcomed by local residents, but unfortunately does not impact on lower level antisocial behaviour and drug dealing at this site. What additional action can the council and its partners take to reduce or stop these behaviours and their adverse impact on local residents?</p>
	<b>Response from Cabinet Member</b>
	<p>We encourage residents and park users to report any criminal activity such as drug dealing to the police in the first instance on 101 for non-emergency matters or 999 if an incident is in progress. Specific concerns in relation to envirocrime issues e.g. littering, fly tipping or graffiti or non-police matters such as the antisocial use of alcohol, legal highs, music, BBQs etc., can be reported using the online 'Report it form' on <a href="http://www.cheltenham.gov.uk">www.cheltenham.gov.uk</a> or by calling 01242 262626. Cheltenham Borough Council and SOLACE have not recently received any complaints of lower level ASB or drug dealing at the site, but can work with partners such as the police and parks team if evidence is received. This might include monitoring the area through physical patrols, use of CCTV, or resident logs of incidents; holding a community and/or multi-agency 'case conference'; and developing an action plan to engage with the potential perpetrators, support or divert them away from ASB and crime and to take enforcement action when necessary and appropriate.</p>
	<b>Supplementary Question from Councillor Louis Savage to the Cabinet Member Development and Safety, Councillor Andrew McKinlay</b>
	<p>Can you clarify what the process would be if local residents wished to install CCTV in their area?</p>
	<b>Response from Cabinet Member</b>
	<p>The first job is to contact the council, who will consider the key initial concerns such as privacy, and start the ball rolling.</p>

6.	<b>Question from Councillor Louis Savage to the Cabinet Member Clean and Green Environment, Councillor Chris Coleman</b>												
	<p>The play areas at Queen Elizabeth II Park and Ewen’s Farm are considered by many residents to be dated and in poor condition, particularly when compared with renovated areas in Pittville and Fairview. With no other play facilities in easy walking distance, will the cabinet member consider what funds can be found to improve these facilities for local families living in Ewen’s Farm?</p>												
	<b>Response from Cabinet Member</b>												
	<p>£10,000 is allocated in the annual play area improvement programme (2021/22 financial year) for enhancements to the Ewens Farm play area that will enable some of the older pieces of equipment to be replaced with more modern and inclusive items. Officers normally undertake local consultation beforehand, and are always willing to work with the local community to bring added value to the scheme (i.e. community grants).</p> <p>QEII, whilst it may not look as new as Pittville or Fairview, still provides a high level of play value, and received substantial investment from the “Play Builder programme several years ago that saw the installation of a wooden trail and climbing unit. The wooden fencing has been identified as being in need of repair, and this will take place later this year from existing revenue budgets.</p> <p>Both play areas are inspected regularly by Council staff to ensure safety compliance, and surveyed once annually by an independent inspector. The current survey predicts that the equipment has life expectancy of between 10 and 15 years.</p> <p>Similar play areas elsewhere in the Borough have benefited from budgets held by County Councillors for public realm projects, and officers would be happy to discuss the possibility of such funding being made available for both QEII and Ewen’s Farm play areas with the local County Councillor.</p>												
7.	<b>Question from Councillor Louis Savage to the Cabinet Member Clean and Green Environment, Councillor Chris Coleman</b>												
	<p>What was CBC’s recycling rate in 2018/19 and what is their recycling rate so far in 2019/20? How does this compare to other districts in Gloucestershire?</p>												
	<b>Response from Cabinet Member</b>												
	<table><tr><td>NI192</td><td>17-18</td><td>18-19</td><td>19-20</td></tr><tr><td>Cheltenham</td><td>48.39%</td><td>50.74%</td><td>50.77%</td></tr><tr><td>Cotswold</td><td>58.71%</td><td>58.95%</td><td>61.54%</td></tr></table>	NI192	17-18	18-19	19-20	Cheltenham	48.39%	50.74%	50.77%	Cotswold	58.71%	58.95%	61.54%
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	<p>Cheltenham's performance has improved year on year as shown above and is most comparable with Gloucester. We are both urban in nature with similar amounts of communal properties and transient population groups, e.g. students.</p> <p>It is important to note that the year-end recycling rate for 2019/20 may be higher or lower than the% recycling rate quoted above which is the rate at this point in the year only.</p>																
<b>8.</b>	<b>Question from Councillor Steve Harvey to the Chairman of Licensing Committee, Councillor David Willingham</b>																
	I have recently seen Uber vehicles operating in Cheltenham. Could the Chair of Licensing please explain whether these vehicles are licensed by Cheltenham to operate in our town?																
	<b>Response from the Chair of Licensing Committee</b>																
	<p>Uber is not licensed in Cheltenham. They can however operate in Cheltenham relying on their operating licences elsewhere in the southwest. This is made possible through a combination of deregulation of licensing laws and weak primary legislation dating back to 1847.</p> <p>Taxi and private hire licensing law has become very complex but in very simple terms, as long as the Uber vehicle and driver is licensed by the same authority as the Uber operating licence, there is a "right to roam". This means that, in this case, Uber cars can roam anywhere and accept bookings provided that the journey is properly booked in advance (via the phone app) and the journey is recorded against the operating licence associated with the Uber vehicle being hailed.</p> <p>Therefore, an Uber car licensed, for example, by Bath and North East Somerset Council can accept bookings in Cheltenham if:</p> <ol style="list-style-type: none"><li>1) The driver and vehicle are also licensed by Bath and North East Somerset Council; and</li><li>2) The hailing is made via the Uber phone app (and therefore not plying for hire); and</li><li>3) The booking is recorded against the Uber operating licence issued by Bath and North East Somerset Council (and therefore dispatched by Uber Bath).</li></ol>																

	Members may be interested to read a fuller explanation of this in the May edition of the Trade Times: <a href="https://mailchi.mp/2e47c96bf93a/trade-times-may-19?e=[UNIQID]">https://mailchi.mp/2e47c96bf93a/trade-times-may-19?e=[UNIQID]</a>
	<b>Supplementary Question from Councillor Steve Harvey to the Chairman of Licensing Committee, Councillor David Willingham</b>
	What are the processes by which CBC help taxi drivers preserve their business?
	<b>Response from the Chairman of the Licensing Committee</b>
	<p>CBC is proud of its taxi drivers, who form an important part of the local economy.</p> <p>The primary duty of licensing is public safety, but it must also seek to support taxi drivers. In order to do this, the council undertakes test purchasing during busy periods, and this has already proved successful, with 9 unlicensed drivers having been prosecuted for unlawful hire offences during the Cheltenham Festival.</p> <p>The Local Government Association and Institute for Licensing are working together on proposals for parliamentary bills that would update the current antiquated legislation, but these face a difficult road ahead due to a lack of support from the government. Although the council has high standards for taxis locally, the national government does not take these matters seriously.</p>
<b>9.</b>	<b>Question from Councillor Angie Boyes to the Leader of the Council, Councillor Steve Jordan</b>
	Every year more than 17,000 students at UK universities study or work abroad as part of their degree. Erasmus (European Region Action Scheme for the Mobility of University Students) funds opportunities to study abroad, teacher training partnerships between colleges and universities but also schemes to share best practice in education and youth policy. MPs voted against an amendment to keep the UK in Erasmus after the Brexit transition period. Losing Erasmus would be a huge loss to students not only in Cheltenham but across the UK by limiting their educational horizons. As the Co Vice-Chair of Twinning in Cheltenham, I will be writing to our MP and the Secretary of State for Education to request confirmation that the UK will remain in the Erasmus programme and I would like to ask the leader of the Council if he will do the same.
	<b>Response from Cabinet Member</b>
	I am more than happy to write as requested as the Erasmus programme has been of great value to UK students.
<b>10.</b>	<b>Question from Councillor Angie Boyes to the Cabinet Member Housing, Councillor Peter Jeffries</b>
	Cheltenham has been declared a Town of Sanctuary for refugees. In recognition of this, will Cheltenham Borough Council be prepared to

	finance a plaque to celebrate this as other towns and cities have done, such as Bristol. It will not only serve as recognition of our status but also as a permanent reminder of our commitment to refugees as a Council, as a town and as individuals.
	<b>Response from Cabinet Member</b>
	<p>Since December 2015, Cheltenham's Liberal Democrat administration, the resident volunteer group Cheltenham Welcomes Refugees &amp; Gloucestershire Action for Refugees and Asylum Seekers (GARAS) have been very pro-active working in partnership by welcoming 121 refugees into Cheltenham. In February 2019, this administration extended Cheltenham's invitation further, to include an arrangement with UK Visas &amp; Immigration to accommodate up to approximately 25 Asylum Seekers during the first 12 months.</p> <p>We are now reviewing our arrangements again, with a view to extending our offer to refugees during 2020.</p> <p>As a result, Cheltenham has welcomed more refugees than any other district in the county since December 2015. This would not have been possible without the support of our residents working so collaboratively, with such passion, kindness and empathy.</p> <p>Cheltenham Welcome refugees discussed and supported the desire for Cheltenham to become a Town of Sanctuary and on the 25th of March 2019 full council passed a motion to "adopt the title of Town of Sanctuary, and to take practical steps to welcome and include refugees and seek ways of supporting refugees wherever it can".</p> <p>Given Cheltenham's track record, we now feel it is the right time to apply officially for a City of Sanctuary award. These are given to organisations to recognise and celebrate their commitment to the values and vision of the City of Sanctuary network. Following submission of our application, this will be appraised by a local panel. If we are successful we will then be eligible to display an official City of Sanctuary certificate. This will then be framed and displayed in a prominent position within the Municipal Offices. Further discussion / work with our partners would need to take place in celebrating more widely Cheltenham as a Town of Sanctuary.</p> <p>There is more information about the award process <a href="#">here</a>.</p>
<b>11.</b>	<b>Question from Councillor Wendy Flynn to the Leader of the Council, Councillor Steve Jordan</b>
	<p>The Hester's Way Neighbourhood Forum, recognised by Cheltenham Borough Council as an official consultee in planning issues, submitted a comprehensive, professionally produced, master plan for the Hester's Way ward part of the SPD area. Forum members and residents attended events and gave their views yet there is little evidence in the draft SPD that the Forum and the community's views have been taken into account. An area of particular concern, and one which was given great weight in the Forum's master plan, is the lack of a buffer zone along Fiddler's Green Lane between the existing two-storey residential buildings and the up to seven-storey, densely situated technology buildings and multi-</p>

	<p>storey car park.</p> <p>Paragraph 12 of the Ministry of Housing Communities and Local Government Garden Communities Prospectus states “residents must have a <b>meaningful</b> say in developing the proposal from design to delivery” (my emphasis). Paragraph 13e states a key quality of any development should be that it is “designed and executed with the engagement and involvement of the existing local community.”</p> <p>What clear evidence is there that shows the views of the Forum and the views of residents of Hester’s Way ward influenced and shaped the draft SPD?</p>
	<b>Response from Cabinet Member</b>
	<p>There has been active engagement with local residents both through the community drop ins during September 2019 and the most recent public consultation. This engagement enabled direct access to the consultancy team and council officers to discuss and understand the views of residents. Hesters Way Neighbourhood Forum attended a workshop of stakeholders on 3<sup>rd</sup> September 2019. Feedback from residents’ at the most recent public consultation event has recognised changes that have occurred in the drafting of the Supplementary Planning Document. I can confirm that the masterplan as prepared by the Hesters Way neighbourhood Forum has formed part of the evidence base that has informed the Cyber Central SPD as drafted.</p>
<b>12.</b>	<b>Question from Councillor Wendy Flynn to the Leader of the Council, Councillor Steve Jordan</b>
	<p>The Draft SPD, Cyber Central Garden Community, has aspirations that the new development will be an integrated and connected extension of west Cheltenham. On page 14 it details a number of key benefits to the wider area, which are to be welcomed. In particular it says one of the benefits is that of “Significant new jobs created in this growth sector and inspiration to future generations seeking to address the current levels of deprivation in surrounding areas.”</p> <p>If there is a real commitment to using the development and the jobs it creates to inspire and improve the employment situation of the residents of West Cheltenham, why has an employment and training charter not been included in the draft SPD, that includes both construction phase and for when the park is completed?</p>
	<b>Response from Cabinet Member</b>
	<p>This is a really important point and one that we are discussing both corporately and in the context of this particular scheme. The SPD should be read alongside the Cheltenham Plan in which we now have a policy for the requirement of an employment and skills plan to accompany applications over for commercial uses over 1,000 sqm (policy EM4). Proposals for Cyber Central will therefore need to set out how the development will enable opportunities for employment and skills development of local people through the implementation of the</p>



	development proposal.
<b>13.</b>	<b>Question from Councillor Wendy Flynn to the Leader of the Council, Councillor Steve Jordan</b>
	The Cyber Central Garden Community draft SPD makes many references to community facilities, ones that will serve the new development as well as the existing residents of West Cheltenham, yet gives no details as to what these will be, who will run them and where they will be located. Will the final SPD be clearer on what community facilities will be included and propose who might run them?
	<b>Response from Cabinet Member</b>
	The SPD is a strategic masterplan and it would be inappropriate for the SPD to set this level of detail. This detail will need to be set out in the context of future planning applications.
<b>14.</b>	<b>Question from Councillor Wendy Flynn to the Leader of the Council, Councillor Steve Jordan</b>
	Having seen for myself the security gauntlet that has to be run to get in, out and even just between buildings on the Benhall GCHQ site, I am in doubt as to whether there will be much in the way of pedestrian traffic between the Doughnut and new Cyber Hub on a day to day basis and therefore little benefit to having the Cyber Central Hub located so close to the Doughnut as in the SPD. There are however huge disadvantages to sandwiching and isolating residents in Fiddlers Green between GCHQ, with around 7000 employees/contractors, and the new cyber hub, with 7500 workers, not least the disadvantage of a huge increase in vehicle movements.  When drawing up the draft SPD, "Cyber Central Garden Community", has serious consideration been given to locating the Cyber Central Hub in the north of the SPD area?
	<b>Response from Cabinet Member</b>
	Engagement with the business sector, including GFirst LEP and relevant government departments clearly articulates the benefits of being closely located to existing GCHQ facilities. This was also tested through the Gloucester, Cheltenham and Tewkesbury Joint Core Strategy, policy A7 of this plan has guided the preparation of the SPD. It is not proposed to change the location of the cyber central hub to the north of the site.

## 9. UPDATE TO THE CONSTITUTION

The Cabinet Member Corporate Services reported that the Constitution Working Group had met on the 27th January to discuss proposals for constitutional amendments. He suggested that since the proposed amendments cover a wide variety of issues, they should be approached one by one.

**a) A change to Article 7, paragraph 7.2 of the Constitution to read "The Cabinet shall consist of the Leader of the Council together with at least**

**two, but not more than nine Councillors”, allowing the introduction of two new portfolios for the climate emergency and the economic development in West Cheltenham.**

The Conservative group leader added that the opposition agreed with this recommendation. The Leader of the Council explained that although the Cabinet role is assumed at two days a week, it is unfair to assume that this is automatically what is available. He added that GCC has increased its Cabinet size in the last few years, and this change brings CBC into line with similar councils and accounts for the Cabinet’s increased workload.

**VOTE:**

**FOR: 29**

**AGAINST: 6**

**ABSTENTIONS: 0**

**b) A reduction in the size of Planning Committee from 15 members to 11. This would require Council approval at Annual and Selection Council on 18 May 2020 and, once approved, would have immediate effect.**

The Cabinet Member Corporate Services suggested that this reduction would also bring CBC into line with other councils around the country. The Chair of the Licensing Committee added that Licensing has 10 members and meets 4 times a year, while there are 5 members on the sub-committee which meets 8 times a year, and 3 on the alcohol sub-committee. He suggested that reducing Planning to 11 therefore seems sensible. He also noted that the Chair’s casting vote is no less important as it is still an odd number, and planning applications can still be appealed to the Planning Inspectorate. One member suggested that if Planning is too big, this might mean that the council itself is too big too.

**VOTE:**

**FOR: 31**

**AGAINST: 2**

**ABSTENTIONS: 2**

**c) The introduction of the electronic voting system as an alternative to the show of hands currently required**

One Member asked whether every vote could be a recorded vote. The Cabinet Member Corporate Services responded that the names of all councillors will appear on the main screen with their choice next to them. One member asked whether votes would be definitely recorded accurately, considering the possibility of user error. The Cabinet Member Corporate Services responded that members would likely know when they had pressed the wrong button and would be able to raise a point of order to have that noted. Members stressed that confidence in the system was key.

One Member asked about secret votes, while another asked how members can be sure that their vote had been recorded correctly. The Head of Law clarified these questions. A test vote and a secret vote were demonstrated for the benefit of members. One member noted that he could not remember the last example of a secret vote. He stressed that votes have to be open and accountable whenever possible.

The Cabinet Member Corporate Services responded that secret voting can be essential in some very specific circumstances. One Member added that he is averse to secret ballots for transparency reasons, though there can be good reasons to enter private sessions. He noted that during the test votes, a councillor sat next to him had been able to vote on his behalf. One Member added that under the present Code of Conduct, when a member is on an outside body or trust, they must leave the chamber so that they cannot influence votes.

The Head of Law clarified the difference between standard votes and recorded votes. Votes on exempt items are not secret votes – they are normal votes, just in exempt session. She explained that in order to move to all votes being recorded, a separate constitutional amendment would need to be approved by Council.

One Member asked whether, given the caveats expressed by members, it would be wise to simply retain the show of hands. The Cabinet Member Corporate Services clarified that the electronic system is being added to the constitution alongside a show of hands, rather than replacing it, so both options will be possible.

One Member asked that the system take into account members not being present. The Head of Law agreed that this would be better prepared at future meetings. One Member added that he was familiar with electronic voting at his previous council, and a key advantage was that it saved on having to do a roll call of all 40 members. He acknowledged the risk of human error, but noted that this is possible in any situation. One Member asked what would happen if a councillor with limited vision needed to vote. The Cabinet Member Corporate Services responded that the council needs to be as adaptable and inclusive as possible, and a solution would be found on a case-by-case basis.

The Mayor reiterated that the proposed change is simply to add the possibility of electronic voting to the constitution, not to do away with manual voting entirely.

**VOTE:**

**FOR: 33**

**AGAINST: 2**

**ABSTENTIONS: 0**

**d) Moving the start time of Council meetings from 2:30pm to 6:00pm in the Council Diary for 2020/21.**

One Member stressed that the answer to this depends more on when meetings finish than when they start. If a meeting goes on past 10pm or 11pm, members run the risk of losing focus. He advocated leaving the start time as it is, at 2:30pm.

**VOTE:**

**FOR: 0**

**AGAINST: 32**

**ABSTENTIONS: 3**

**e) Delegating to the Borough Solicitor authority to make any textual or other amendments which are necessary to ensure accuracy, consistency and legality of the Constitution when incorporating the revisions authorised by Council.**

**VOTE:**

**FOR: 35**

**AGAINST: 0**

**ABSTENTIONS: 0**

**RESOLVED THAT**

- 1. A change to Article 7, paragraph 7.2 of the Constitution to read “The Cabinet shall consist of the Leader of the Council together with at least two, but not more than nine Councillors” be approved.**
- 2. The financial implications that will arise from Recommendation 1 be approved.**
- 3. It be noted that the proposed change in size of Planning Committee will require Council approval at Annual and Selection Council on 18 May 2020 and once approved would have immediate effect.**
- 4. The use of the electronic voting system as an alternative to a show of hands currently required be approved.**
- 5. Authority be delegated to the Borough Solicitor authority to make any textual or other amendments which are necessary to ensure accuracy, consistency and legality of the Constitution when incorporating the revisions authorised by Council.**

**10. HOUSING REVENUE ACCOUNT - REVISED FORECAST 2019/20 AND BUDGET PROPOSALS 2020/21**

The Cabinet Member Finance presented the report and delivered a speech, which is attached to these minutes as an appendix.

The Conservative group leader responded that the opposition supported many things in the report, but queried whether point 3.1, which speaks in terms of moving towards a carbon-neutral housing portfolio, had a specific target in mind. The Cabinet Member Finance responded that CBH were allocating £50k in order to look at what they can and can't do in relation to existing stock. She was unable to be specific at this point, but CBC's stated aim is 2030. The Cabinet Member Housing added that, with both a housing crisis and a climate crisis, priorities invariably need to be balanced, but he reassured Members that Cheltenham Borough Homes' aims were aligned with those of the council. He stressed that the council needs more support from national government, both in terms of funding and in terms of information about the planned direction of travel of housing policy.

The People Against Bureaucracy group leader thanked the Cabinet Member and officers for putting together a sound report with both social and business issues at the forefront. He asked about the 500 homes of mixed tenure which are currently planned, and stressed his support for making the new homes carbon-neutral. However, he asked whether the Cabinet Member Finance believed that the building of these houses to be carbon-neutral will impact on the number of houses delivered. The Cabinet Member Finance responded that the relevant officers will be able to respond in more detail.

One Member congratulated officers on a number of good initiatives, but queried the £900k of funding allocated to heating. He asked whether the intention was to put heat pumps in instead of boilers, citing environmental concerns and the phasing out of gas boilers. The Cabinet Member Housing clarified that there was no provider at the moment who can provide what the council needs at the desired scale, so the replacement program is currently reliant on older technology.

One Member placed on record his thanks to CBH for its socially compassionate policy approach, citing the section on non-traditional stocks, which were very relevant to his ward.

One Member added his thanks, particularly to the Head of Community Services and the Estates team for their work on the subject, especially regarding a number of difficult issues. CBH has moved efficiently and proactively to help those who are most in need. One Member echoed this praise and added that she had worked closely with CBH over the last few years, and had been impressed by how it leveraged local support and built up communities.

One Member echoed the praise for CBH and sought to place it in a different context, suggesting that CBH is the council's partner both in name and in need. The key with the new houses is that they are affordable, something which Cheltenham currently lacks. She mentioned the Thrive program as a particular example of a successful and positive scheme.

One Member added his support for the report, observing that local authorities can play a significant role in alleviating the effects of austerity, so it is excellent to see a plan for 500 affordable homes by 2023. He praised the Cabinet Member Housing's work and agreed that a sustainable approach is needed to ensure that benefits are felt in years to come. Another Member noted that

although more technologically advanced systems can be expensive in the short term, they are of significant long-term benefit. He praised CBH's focus on pushing these ideas forward, adding that it will help to lower their cost in the long term. One Member emphasised the national context of housing issues, noting the importance of the government in Westminster as well as broader issues like climate change. Any policy must take into account those who are worst off first.

The Cabinet Member Housing thanked members for their positive comments and put on record his thanks to the CBH board, who worked constantly with the council's Executive Leadership Team. The Cabinet Member Finance also thanked members for their contributions to the debate, and for their positive comments.

A recorded vote was taken.

**RESOLVED (unanimously) THAT**

- 1. the revised HRA forecast for 2019/20 be noted.**
- 2. the HRA budget proposals for 2020/21 (shown at Appendix 2) including a proposed rent increase of 2.7% and changes to other rents and charges as detailed within the report be approved.**
- 3. the HRA capital programme for 2020/21 as shown at Appendix 3 be approved.**

**VOTE:**

FOR: 33 – Atherstone, Babbage, Baker, Barrell, Boyes, Britter, Brownstein, Clucas, Coleman, Collins, Cooke, Dobie, Fisher, Flynn, Harman, Harvey, Hay, Hegenbarth, Hobley, Jeffries, Jordan, McCloskey, McKinlay, Oliver, Parsons, Payne, Savage, Seacome, Stennett, Wheeler, Whyborn, Wilkinson, Williams, Willingham.

**11. GENERAL FUND REVENUE AND CAPITAL – REVISED BUDGET 2019/20 AND FINAL BUDGET PROPOSALS 2020/21**

The Cabinet Member Finance presented the report and delivered a speech, which is attached to these minutes as an appendix. The Leader of the Council seconded the report.

One Member asked a technical question about accreditation statuses. FC responded that these make it possible for the authority to retain their portfolio status. Accreditation experts look at everything owned by the council, comprising some 250,000 different objects. One Member asked whether the use of the term 'pump-priming' in the report means that removing money from the Town Hall improvement is imminent. The Cabinet Member Finance responded that the money is allocated to the Trust, on condition of a full business case. One Member outlined the situation at the Trust, reassuring members that it does not need rescuing, based on figures seen in the last couple of months. She praised the new Chief Executive of the Trust for turning around its financial situation. The council is working with the Trust to help it become more commercially focused. The new Chief Executive has overseen

positive changes in other areas of the Trust, e.g. more bookings across the board, and she was satisfied that the £1m allocated to the Trust will make a significant difference.

One Member suggested an amendment to paragraph 6.13, adding in reference to the Chancellor and the specific Secretary of State for Export. He suggested that this change would be a simple addition with a significant effect, and urged its adoption. The Cabinet Member Finance agreed that this would not change any of the costs of the budget besides two extra stamps, and accepted the incorporation of the amendment.

One Member asked about the toilet allocation in Sandford Park. She has recently been in contact with the Friends of Sandford Park group, who wanted to know when this would be received. The Cabinet Member Finance responded that she did not know at that moment, but would let her know when she had the relevant information.

KS also queried some ambiguous wording in paragraph 6.5, and asked whether the wording could be changed to 'originally allocated to the restoration of the unsafe bridge in Pilley Nature Reserve which has led to the closure of the public footpath behind old pats'.

One Member asked about the £200,000 investment in in-cab system, comparing it to Smart Meters and asking how the council can be sure that the projected savings will actually happen. The Cabinet Member Clean and Green Environment explained how the technology improves the system for customers by reducing errors, while helping the council achieve its climate change goals by making journeys shorter and more efficient.

One Member queried a figure on page 64, which refers to a figure of £458,000 earmarked for Budget Strategy Support Reserves. Later on, a figure of approximately £250,000 is cited – is this discrepancy because it is additional funding or a small part of the reserve? The Executive Director Finance and Assets referred to figures in Appendix 2 and Appendix 6 and also cited the overall strategy as detailed in Appendix 10.

One Member asked a further question about the growth proposals. In response the Cabinet Member Finance explained that funding had been set aside for the bridge restoration. The bridge had a number of footpaths to enable crossing, however the budget would be better off allocated to delivering more benefit for the whole town by being in the climate emergency budget. She reported that ward councillors had been working with their residents to help them secure alternative transport and routes. The benefit for the whole town must be considered.

One Member asked about the splash pad at the leisure centre, which had resulted in fewer people paying for admission. What exactly is the £200k for? The Cabinet Member Finance responded that £200k is not being added to its budget – instead, if the Trust cannot pay the loan back for any reason, this funding would be used to cover it. This represented a sound financial contingency plan. The Executive Director Finance and Assets suggested that all budgetary papers need to be considered in the context of the Section 25 report. As we move into the 2021/22 financial year, there was considerable uncertainty due to funding reviews. The strategy intended to map out the worst case

scenario and plan accordingly. £902,000 would be required from the budget support allowance in the worst case scenario, and this was currently not there. Any fortuitous underspend or increase in income will be returned.

One Member asked about the timeframe of planned industrial units, welcoming a development in his ward. The Cabinet Member Finance responded that these plans are already in action, evidenced by the current state of the site, and expected to be completed within the next financial year.

The Conservative group leader delivered his statement, outlining the alternative budget amendments proposed by the Conservative group. He advocated reducing the size of Cabinet to 6 members and moving to 4-yearly elections, suggesting possible savings of £45k p/a and £32k p/a. He suggested that reducing the size of the Cabinet would be possible considering its workload and the recent outsourcing of certain responsibilities. He believed there was sufficient capacity within the present Cabinet to achieve its present goals. Of the 6 district councils in the area, all do 4-yearly elections bar Cheltenham. He suggested that only putting half the councillors up for election every two years is rationing democracy. He also suggested an allocation of £52k p/a to the climate emergency. The proposals were seconded by Cllr. Babbage.

He added that a Councillor Community Fund ought to be created at a cost of around £20k p/a, which would help Members engage with their wards. He also advocated adding additional recycling Bring Site emptying at peak times, which would cost £5k p/a and benefit local residents, and suggested that these changes are all modest and achievable.

The People Against Bureaucracy group leader did not propose any amendments. He thanked the Cabinet Member Finance for a complex and detailed report, and thanked the finance team for their work in putting it together. He praised the balanced budget, considering the difficult economic situation, and particularly cited the investment in commercial opportunities that will pay off in the future.

Members debated the amendments proposed by the Conservative group. One member commended the group's recommendations and emphasised that the people of Cheltenham are not clamouring for more elections, or for more money to be spent on biannual elections. He also praised the proposal for a Councillor Community Fund and the intention to allocate more money to tackling climate change.

One Member responded that the Conservative group had suggested the same changes for several years running, and suggested that four-yearly elections are a saving that cannot be made considering the current plan. She suggested that the amendments are not a credible alternative, and disagreed with the proposals – though she praised the intention behind the Community Fund. The group leader acknowledged that the Conservative group's proposals have been repetitive, but if they had been accepted when first offered, then the council would be seeing the savings now.

The Cabinet Member Finance agreed that these savings were not feasible. The plan for four-yearly elections has been repeatedly rejected before on the grounds that two-yearly elections are more democratic, giving the public a more



frequent chance to have a voice. The proposal brings nowhere near large enough a saving to justify losing this benefit. She also cited the frequency of national elections brought about in the last few years by the Conservative Party.

She also criticised the proposal for reducing the number of Cabinet Members to 6, citing the county council's increase in size to 10 members. Cabinet Members have to monitor commissioned services more closely, so their workload has not decreased. One Member asked whether the leader of the Conservative group, in his role as a county councillor, believed that the size of the county cabinet should also have been reduced.

One Member clarified how the savings from four-yearly elections would work, suggesting that it would help to build up a reserve. He reminded members that the county council has a considerably larger budget than the borough council, and that each individual county Cabinet member likely oversees more resources than the whole of CBC.

Members discussed further issues in the alternative budget amendments. One member criticised the main budget's proposal for a one-off figure of £350k for climate change, and £150k on a Cabinet Member for climate change over 10 year. The alternative proposal was for £52k p/a, totalling £520k over 10 years. He also suggested that the recycling amendment offers a major public benefit for a relatively small amount of money.

Cllr. Parsons stated his intention to excuse himself from the substantive vote on the motion, in his role as a trustee on the Cheltenham Trust.

Members voted on the Conservative group's alternative budget amendments.

**VOTE:**

**FOR: 5**

**AGAINST: 26**

**ABSTENTIONS: 2**

The Leader of the Council formally seconded the budget report, and praised the officers and members involved in its collation. He noted that there are key unknown factors when considering the future of the council's funding, with the main one being government policy. Business rates are particularly important, with increasingly unfair discrepancies between towns and rural areas. Any rise in council tax must be considered in detail, but this is a relatively modest rise, which is lower than the police and the county council's rise.

He emphasised his delight at some of the programs funded in the budget, including progress in Sandford Park and improvements to the High Street. Funding for fighting climate change must be spent in the most effective way possible.

Members voted to continue the session after it reached the four-hour mark.

A Member praised how CBC has set aside funds to enhance the efficiency of Ubico services.

A Member praised the planned maintenance program for the Honeybourne Line, a significant portion of which is in his ward. The site will be preserved as much as possible, demonstrating the council's conservation efforts.

A Member responded to a point raised at a recent county council meeting, and outlined figures relating to land development in Cheltenham.

A Member welcomed efforts to tackle the climate emergency, citing recent flooding in the local area. She reported that she had attended the last county council meeting and was disappointed by the level of pantomime involved in its discussions of climate policy. She also praised the progress on the toilets in Sandford Park, which had been a real source of frustration for local residents.

A Member echoed criticisms of the alternative budget, noting that the county council, on which two of the Conservative members sit, had rejected a proposed £2m climate change initiative days earlier, only to offer a £50k increase now. He also criticised the scope of the Community Fund proposal, suggesting that £1000 for each ward would barely cover local potholes, which the county council is responsible for. He praised the main budget's emphasis on climate change and high street improvement, and criticised a lack of support from national government, citing the loss of the Revenue Support Grant.

A Member also emphasised the importance of a positive, progressive budget and reiterated that national government funding cuts are hugely significant. Local progress will always be limited as long as national government fails to fund key policy areas.

The Cabinet Member Finance added that the Community Fund had been advocated and supported several years previously, but had to be shelved due to budget cuts. She added that the budget's effect on people and change must not be underestimated.

**The Mayor moved to a recorded vote.**

**RESOLVED THAT:**

- 1. The revised budget for 2019/20 be approved.**

**Considering the budget assessment by the Section 151 Officer at Appendix 2 the following recommendations be approved :**

- 2. the final budget proposals 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), as detailed in paragraphs 4.11 to 4.16.**
- 3. the growth proposals, including one off initiatives at Appendix 4.**

4. a lending (overdraft) facility of up to £100,000 to the Cheltenham BID to facilitate the delivery of an ice rink as detailed in Section 7.
5. the Executive Director Finance and Assets (in consultation with the Borough Solicitor) be authorised to take such actions and make such arrangements as are necessary for the implementation of the above lending facility to Cheltenham BID.
6. the savings / additional income totalling £826,000 and the budget strategy at Appendix 5 be approved.
7. the use of reserves and general balances be approved and note the projected level of reserves, as detailed at Appendix 6.
8. the capital programme at Appendix 7 be approved.
9. the programmed maintenance programme at Appendix 8 be approved.
10. Note that the Council will remain in the Gloucestershire business rates pool for 2020/21 (paragraphs 4.4 to 4.10).
11. the Pay Policy Statement for 2020/21, including the continued payment of a living wage supplement at Appendix 9 be approved.
12. the Medium Term Financial Strategy (MTFS) detailed in Section 5 and Appendix 10 be approved.
13. a level of supplementary estimate of £100,000 for 2020/21 as outlined in Section 13 be approved.

**FOR: 27**

For: Atherstone, Baker, Barrell, Boyes, Britter, Brownstein, Clucas, Coleman, Collins, Dobie, Fisher, Harvey, Hegenbarth, Jeffries, Jordan, McCloskey, McKinlay, Oliver, Payne, Stennett, Sudbury, Wheeler, Whyborn, Wilkinson, Willingham.

**AGAINST: 0**

**ABSTENTIONS: 6**

Abstentions: Babbage, Cooke, Harman, Parsons, Savage, Seacome.

**12. COUNCIL TAX RESOLUTION 2020**

The Cabinet Member Finance introduced the report and explained that now that the Council had agreed the budget and level of Council Tax for 2020/21 it was now required to formally approve the total Council Tax for the residents of Cheltenham, including the Council Tax requirements of the precepting organisations,

The total Council Tax to be paid by residents of Cheltenham in 2020/21 by council tax band, including the precepting authorities, was contained in Appendix 2.

She explained that by way of an explanation of how the precept was divided on a band D property the total council tax would be £1816.65 of which CBC received £214.08, GCC £1345.32, the Police £257.25. In percentage terms this equated to the County getting 74%, Police 14% and the Borough 12%

She then expressed caution that Parliament had yet to debate the final settlement albeit there were no changes expected.

**The Mayor moved to a recorded vote.**

**RESOLVED (unanimously) THAT**

**the formal Council Tax resolution be approved**

**For:** Atherstone, Babbage, Baker, Barrell, Britter, Brownsteen, Clucas, Coleman, Collins, Cooke, Dobie, Fisher, Harman, Harvey, Hay, Hegenbarth, Jeffries, Jordan, McCloskey, McKinlay, Oliver, Parsons, Payne, Savage, Seacome, Stennett, Sudbury, Wheeler, Whyborn, Wilkinson, Williams, Willingham

**13. NOMINATIONS FOR MAYOR ELECT AND DEPUTY MAYOR ELECT 2020-21**

The Chief Executive presented the report and explained that Councillor Sandra Holliday had served as Deputy Mayor since last year's Annual Council Meeting and Members would be asked to elect her as Mayor at this year's Annual Meeting.

**He reported that the Members shown towards the head of the Order of Precedence in Appendix 2 had been approached to ascertain if they were willing and able to have their name put forward for appointment as Deputy Mayor for 2020-21. Councillor Chris Coleman indicated a willingness to put his name forward as Deputy Mayor subject to no other eligible councillor wishing to do so and pending the outcome of the May 2020 elections.**

**RESOLVED (unanimously) THAT**

1. the Order of Precedence in Appendix 2 be noted.
2. Councillor Sandra Holliday be put to the Annual Council Meeting for election as Mayor for the Municipal year 2020 – 2021.

3. **Councillor Chris Coleman be put to the Annual Council Meeting for election as Deputy Mayor for the Municipal year 2020-2021, subject to his re-election.**

**14. RECOMMENDATION TO ADOPT THE INTERNATIONAL HOLOCAUST REMEMBRANCE ALLIANCE (IHRA) WORKING DEFINITION OF ANTISEMITISM**

The Leader of the Council presented the report, explaining that the Council has received a formal request to adopt the working definition of anti-Semitism provided by the International Holocaust Remembrance Alliance (IHRA).

One member noted that he had submitted a similar request in October 2019, and was pleased to see it progress to this stage. Another member added that he was very happy to support the definition, and praised recent commemorative events.

**RESOLVED (unanimously) THAT**

**the IHRA Working Definition on antisemitism be adopted for use across the Council ensuring that this is reflected in its Equality and Diversity Scheme and other relevant policies.**

**15. NOTICES OF MOTION**

There were none.

**16. ANY OTHER ITEM THE MAYOR DETERMINES AS URGENT AND WHICH REQUIRES A DECISION**

None.

**17. LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION  
RESOLVED THAT**

“That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)

**18. EXEMPT MINUTES  
RESOLVED THAT**

The minutes of the meeting held on 22 July 2019 be approved and signed as a correct record.

Roger Whyborn  
**Chairman**

## Page 35 Cheltenham Borough Council Council –23<sup>rd</sup> March 2020

### Capital, Investment, Treasury and MRP Strategies and Statements 2020/21

<b>Accountable member</b>	<b>Cabinet Member for Finance, Councillor Rowena Hay</b>
<b>Accountable officer</b>	<b>Executive Director Finance and Assets (Section 151 Officer), Paul Jones</b>
<b>Accountable scrutiny committee</b>	<b>Treasury Management Panel</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>In December 2017, CIPFA published updates to the Prudential Code and The Treasury Management Code of Practice. The new Prudential Code requires the Council to approve a Capital Strategy on an annual basis in advance of the forthcoming financial year. The Ministry of Housing, Communities and Local Government (MHCLG) have also updated statutory guidance on treasury management which has resulted in changes to the Treasury Management Strategy and the introduction of a separate Investment Strategy. For 2020/21 a new set of strategic documents require Council approval: The Council's Capital Strategy, Investment Strategy and Treasury Management Strategy.</p> <p>In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management and the Prudential Code by relevant Capital Finance Regulations.</p>
<b>Recommendations</b>	<p>That Council considers and approves the following :</p> <ul style="list-style-type: none"> <li>• <b>The Capital Strategy 2020/21 at Appendix 2</b></li> <li>• <b>The Investment Strategy 2020/21 at Appendix 3</b></li> <li>• <b>The Treasury Management Strategy Statement 2020/21 at Appendix 4</b></li> <li>• <b>The Minimum Revenue Provision (MRP) Statement 2020/21 at Appendix 5</b></li> </ul>
<b>Financial implications</b>	<p>The financial implications are reported in appendices 2 – 5.</p> <p><b>Contact officer: Andrew Sherbourne, andrew.sherbourne@publicagroup.uk, 01242 264337</b></p>

<b>Legal implications</b>	As detailed in the report.  <b>Contact officer: Shirin Wotherspoon</b>  <b>shirin.wotherspoon@teWKesbury.gov.uk, 01684 272696</b>
<b>HR implications (including learning and organisational development)</b>	None arising directly from this report.  <b>Contact officer: Julie McCarthy,</b>  <b>julie.mccarthy@publicagroup.uk, 01242 264355</b>
<b>Key risks</b>	As noted in Appendix 1.
<b>Corporate and community plan Implications</b>	The purpose of the strategy is to improve corporate governance, a key objective for the Council.
<b>Environmental and climate change implications</b>	None arising directly from this report.
<b>Property/Asset Implications</b>	As detailed in appendices 2 and 3.  <b>Contact officer: Dominic.Stead@cheltenham.gov.uk</b>

## 1. Background

- 1.1 Local authorities in England are legally obliged to “have regard” to the CIPFA Treasury Management Code and the Prudential Code by relevant Capital Finance Regulations.
- 1.2 Local authority investment decisions have made headlines over the past year with the financial press questioning the role of local authorities investing in property and assets as a means to generate income to compensate for the reduction in government funding. Investing in property and other assets is nothing new for Cheltenham Borough Council whom has historically held major assets such as retail sites and commercial property for some time now. In recent years however the emphasis on using these assets to generate a commercial yield has become much greater and this has involved some councils investing in property outside of its area. The scaling up of investments by local councils has been brought to the attention of the Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA resulting in changes to the Treasury Management Code and the Prudential Code.
- 1.3 Following consultations in February and August 2017, CIPFA published its new 2017 guidelines of Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes and the Prudential Code for Capital Finance in Local Authorities just before the end of 2018. The Council is now required to prepare and approve four strategies/statements:
  - Capital Strategy;
  - Investment Strategy;
  - Treasury Management Strategy Statement; and a
  - MRP Statement



## 2. Consultation

- 2.1 Each strategy is attached at Appendices 2 - 5 based on information relating to the Council's local circumstances with accompanying information and advice supplied by the Council's treasury advisors Arlingclose Limited.
- 2.2 The Treasury Management Strategy Statement has been recommended for approval by the Treasury Management Panel at its meeting on 20<sup>th</sup> January 2020 to Council.
- 2.3 Cabinet considered the attached report and appendices at its meeting on 3<sup>rd</sup> March 2020 together with a Property Matter in respect of a service investment to Workshop Cheltenham as detailed in appendix 3, on page 3.

<b>Report author</b>	<b>Contact officer: Andrew Sherbourne,</b> <b>andrew.sherbourne@cheltenham.gov.uk</b>  <b>01242 264437</b>
<b>Appendices</b>	Appendix 1 – Risk Assessment  Appendix 2 – Capital Strategy 2020/21  Appendix 3 – Investment Strategy 2020/21  Appendix 4 – Treasury Management Strategy Statement 2020/21  Appendix 5 – MRP Statement 2020/21
<b>Background information</b>	Section 15(1)(a) of the Local Government Act 2003  Cheltenham Borough Council Treasury Management Practices  Exempt Property Matter Report – Cabinet 3 <sup>rd</sup> March 2020

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
	LOBO Loans - If £7m of these loans are recalled by the banks if they choose to exercise their option then we would need to have the resources on the day to repay. Alternative borrowing arrangements at today's current rates would be favourable for the Council	ED Finance & Assets Paul Jones	24 <sup>th</sup> January 2015	1	2	2	Accept	If the loans are recalled the council could take out temporary borrowing which is currently much lower than the rates on these loans. Any capital receipts available could also be used to repay debt.	May 2021	ED Finance & Assets Paul Jones	
	If the assumptions made within the strategies change, then the aspirations within the capital programme may become unaffordable.	ED Finance & Assets Paul Jones	13 <sup>th</sup> March 2019	3	2	6	Accept	The Treasury Management Strategy and Prudential and Treasury Indicators reflect various assumptions of future interest rate movements and Government support for capital expenditure. These will be continually monitored and any necessary amendments will be made in accordance with the Strategy		ED Finance & Assets Paul Jones	

	If tenants exercise break-clauses and/or not renew leases, then there may be an impact on income projections and net returns.	Simon Hodges	15 <sup>th</sup> August 2018	2	3	6	Accept	Should tenants serve notice, the Council will have 6 months prior notice to find new tenants.		Simon Hodges	
	If thorough due diligence is not undertaken when pursuing commercial property investments, the Council may not meet all of the criteria set out within its capital and investment strategies.	ED Finance & Assets Paul Jones	13th March 2019	4	2	8		Due diligence is of paramount importance. All of our commercial investments have individual business cases that are subject to thorough risk assessment and stress testing and we also stress test the whole investment portfolio to ensure all risks are captured and properly controlled. Where appropriate to the size and scale of the project we also commission independent technical, legal, accounting, risk management, property, taxation advice		Simon Hodges	

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# Capital Strategy

## 2020/21



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- 1.1 - The purpose of the Council's Capital Strategy is to document the principles and framework that underpin its longer-term capital investment and expenditure proposals. The Capital Strategy was a new requirement for Councils to produce from April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2018.
- 1.2 - Cheltenham Borough Council's Capital Strategy forms a key part of the Council's overall Corporate Planning Framework. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's overarching corporate priorities and objectives over a medium term planning horizon.
- 1.3 - The Strategy sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, management and funding. The Strategy has direct links to the Council's Asset Management Strategy, Commercial Strategy, Investment Strategy and Treasury Management Strategy and forms a key part of the Council's Medium Term Financial Strategy (MTFS) as articulated below:

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

- 1.4 - Decisions made on capital and treasury management will have financial consequences for the Council for many years into the future.

1.5 - In particular, the Capital Strategy demonstrates how we will deliver the 5 key priorities for the Council:

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

1.6 - Capital expenditure is where the Council spends money on assets, such as land, property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.



## 2. *What is our Capital Strategy?*

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### 2.1 - The key aims of the Capital Strategy are to:

- provide a clear context within which proposals for new capital expenditure are evaluated to ensure that all capital investment is targeted at meeting the Council's Vision and Priorities;
- Deliver projects that focus on delivering revenue benefits in the form of spend to save, spend to earn or generate growth in revenue income;
- set out how the Council identifies, programmes and prioritises capital requirements and proposals arising from business plans, the Asset Management Plan (AMP) and other related strategies;
- consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment;
- identify the resources available for capital investment over the MTFS planning period; and
- establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, and the achievement of Value for Money.

### 2.2 - Put simply, our Capital Strategy aims to invest and deliver for the residents of the Borough:

- At the end of August 2019, we completed the purchase of 112 acres of strategically important land for £37.5m 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
- We have invested in commercial property which provides for an ongoing sustainable income stream to deliver front-line services, whilst also having a direct impact of the safe-guarding of much needed office accommodation within the town centre;
- We are delivering the affordable homes which the market fails to provide and we will prioritise those people on our Housing Register;
- Public Realm High Street investment focussed on supporting the revitalisation of the high street, complemented by the flagship concept store opening for John Lewis, and the redevelopment of the Brewery Quarter;
- We have invested in a new suite of waste and recycling vehicles to enhance and deliver the service requested by our residents;



- We have invested and delivered **Page 45** and play hub at leisure@;
- We have invested in a new £8.5 million crematorium, on time and within budget, which will deliver services for future generations.

2.3 - Beyond the above, our Capital Strategy will also help us meet our need to upgrade and maintain:

- Operational buildings;
- Infrastructure in the Borough;
- Our vehicle fleet;
- Our ICT infrastructure.

2.4 - In 2020/21, the Council is planning capital expenditure of £43.938m as summarised below:

	2018/19 actual £000	2019/20 forecast £000	2020/21 budget £000	2021/22 budget £000	2022/23 budget £000
<b>General Fund services</b>	10,438	8,105	2,982	600	692
<b>Council housing (HRA)</b>	9,479	29,846	30,076	36,976	32,082
<b>Capital investments</b>	43,126	28,104	10,880	-	-
<b>TOTAL</b>	<b>63,043</b>	<b>66,055</b>	<b>43,938</b>	<b>37,576</b>	<b>32,774</b>

**Table 1: Prudential Indicator: Estimates of Capital Expenditure**

2.5 - The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes the aspiration to build 500 new homes.



# 3. *Capital programme needs and priorities*

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- 3.1 - Underlying the capital strategy is the recognition that the financial resources available to meet corporate priorities are constrained in the current economic and political climate. Central government support for revenue and capital investment has reduced significantly over the last few years. Along with these reductions is the recognition that the Council must rely more on internal resources and seek ways in which investment decisions can be either self-sustaining or generate positive returns both in terms of meeting corporate objectives and producing revenue savings.
- 3.2 - The Asset Management Plan (AMP) includes significant backlog maintenance issues across the Council's property portfolio. To provide the necessary investment needed to bring them up to current standards would require a level of investment that is currently unaffordable within the revenue resources of the Council. The Council may wish to prioritise the disposal of any surplus assets which would generate capital resources via capital receipts. These receipts, alongside private sector investment, can be prioritised to maximise outputs with minimal ongoing future revenue costs.
- 3.3 - Economic Investment – The Council will continue to seek investments that generate longer term growth. These projects will yield a combination of revenue generation (business rates, property rental or interest), jobs and capital infrastructure investment. Based on sound business cases the Council will aspire to make acquisitions to assist with strategic site assembly for the delivery of investment projects.
- 3.4 - Housing – A significant element of past resources (capital receipts and S106 contributions) have been applied to the housing market in the Borough. This work will continue to deliver a commitment from the Cabinet to facilitate the delivery of building affordable new homes and bring void properties back into use, in partnership with Cheltenham Borough Homes. Significant progress has been made in this area and additional funds along with a strategic delivery partner will enhance this project.





- 3.5 - Employment – The council is keen to **Page 47** other Government agencies and private developers to create long term employment opportunities through capital investment. Such investments will also appraise the ability to generate new business rate income.
- 3.6 - Corporate Property – To reduce its backlog maintenance liability the Council needs to rationalise its office accommodation and other operational estate. This is either in the form of commercially letting an element of its existing office accommodation or through the sale of surplus assets. Such action would contribute to ongoing revenue savings and / or capital receipts respectively.
- 3.7 - Leisure, Culture & Tourism - A major part of the Borough's economy is based on leisure, culture and tourism. To support such areas the Council will consider the investment in infrastructure projects that bring in significant third party investment. The Council will work with its partners to bid to attract third party funding into its offering, where available.
- 3.8 - ICT – The Council will be undertaking appropriate investment and replacement into ICT hardware and software on a case by case basis along with its Publica partners. The primary focus will be on improving the use of technology on an "invest to save" basis.
- 3.9 - The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.
- 3.10 - The Council has various mechanisms in place which seek to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the Council's over-arching aims. These include:
- Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme;
  - The Council which is ultimately responsible for approving investment and the capital programme;
  - The Cabinet which is responsible for setting the corporate framework and political priorities to be reflected in the capital programme; the Cabinet will continue to receive regular performance and monitoring reports which are subject to scrutiny;
  - Officer Groups which bring together a range of service interests and professional expertise;
  - An integrated service and financial planning process, including the corporate performance management framework. Within this framework, all proposals for capital investment are required to demonstrate how they contribute to the achievement of the Council's aims and priorities. This includes an evaluation process for investment proposals which ensures cross-cutting appraisal of projects which are aligned to the Council's key aims and priorities and deliver on the efficiency and value for money agendas.

# 3. *Resourcing Strategy*

- 4.1 - The Council's current approach to capital financing is geared towards ensuring the maximisation of resources available to the Council. As such funding is applied in order from the following sources:
- Specific grants (e.g. Growth Fund, Better Care Fund)
  - S106 monies (developer contributions) / Partnership funding
  - Useable capital receipts
  - Revenue Contributions for Capital Outlay (RCCO)
  - Reserves
  - Prudential Borrowing
- 4.2 - This enables the Council to maintain a greater degree of flexibility, as usable capital receipts can only be used to finance capital spending, whereas both revenue and reserves can be used for both capital and revenue purposes.
- 4.3 - In order to progress new capital schemes not already identified within the capital programme, the Council will need to prioritise the use of available resources which could involve the disposal of existing assets or prudential borrowing on a scheme by scheme basis.
- 4.4 - Whilst predominately linked to financing of the Housing Capital Programme, capital receipts derived from 'Right to Buy Sales' have been used in the past to support affordable housing provision.
- 4.5 - The Prudential Code for Capital Finance in Local Authorities commenced throughout Great Britain in April 2004. The code allows councils to undertake unsupported borrowing to meet its objectives if this is considered to be affordable, prudent and sustainable, measured using prudential indicators. The code enables authorities to take greater control of their investment in the capital assets such as local authority housing, office accommodation, and infrastructure which are central to the delivery of quality local public services. The arrangements provide a flexible framework within which they can be procured, managed, maintained and developed. When considering the potential use of prudential borrowing, the Council must satisfy itself that the borrowing will be undertaken to deliver specific key priorities or be used to finance projects which will provide on-going revenue savings in excess of the financing costs (invest to save).
- 4.6 - Given the pressure on the Council's revenue budget in future years, prudent use will be made of this discretion in cases where there is a clear financial benefit, such as "invest to save", "spend to earn" or major regeneration schemes which do not increase expenditure levels in the longer term.
- 4.7 - Such schemes will focus on clear priorities, attracting significant third party investment and those that generate revenue benefits in future financial years - namely income, interest, council tax or business rate yield.

- 4.8 - The Council will continue to consider on a cautious and prudent basis the extent to which prudential borrowing may be undertaken to fund new capital investment, which generates returns over and above the revenue costs of the debt.
- 4.9 - New sources of funding are also being identified through the Local Economic Partnership (LEP) working on a County Region basis. The strategy, the outcomes of which inform the Medium Term Financial Strategy, is intended to consider all potential funding options open to the Council and to maximise the financial resources available for investment in service provision and improvement within the framework of the MTFS.
- 4.10 - The Council will continue to work with the private sector to utilise redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation.
- 4.11 - The Council will continue to work with Local Health Partners and other public agencies to consider sharing facilities to the mutual benefit of all parties.
- 4.12 - Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment as and when received. The Council's property estate is mainly held for operational service requirements and administrative buildings although it does have a significant commercial investment portfolio. This estate is managed through the Asset Management Plan which identifies property requirements and, where appropriate, properties which are surplus to requirements and which may be disposed.
- 4.13 - The Council will continue to maintain a policy of not ring-fencing the use of such capital receipts to fund new investment in specific schemes or service areas, but instead, to allocate resources in accordance with key aims and priorities, subject to the following exceptions:
- capital receipts received in respect of right to buy sales will be wholly invested in the provision of additional housing;
  - any receipts from the sales of properties previously acquired for site assembly where borrowing has previously incurred will be used to repay the debt incurred on that particular acquisition.
- 4.14 - Council resources will be allocated to programmes based on asset values to manage the long term yield and revenue implications. Capital receipts and reserves will be focused on those assets with short term life span (e.g. vehicles and IT investments) and the unsupported borrowing on long term assets (e.g. land and buildings).

4.15 - All capital expenditure must be financed from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

	2018/19 actual £000	2019/20 forecast £000	2020/21 budget £000	2021/22 budget £000	2022/23 budget £000
<b>External sources</b>	1,427	1,742	4,555	5,095	9,255
<b>Own resources</b>	12,327	20,607	9,253	7,880	8,836
<b>Debt</b>	49,289	43,706	30,130	24,601	14,683
<b>TOTAL</b>	<b>63,043</b>	<b>66,055</b>	<b>43,938</b>	<b>37,576</b>	<b>32,774</b>

**Table 2: Capital financing**

4.16 - Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP) as detailed in Appendix 5. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

	2018/19 actual £000	2019/20 forecast £000	2020/21 budget £000	2021/22 budget £000	2022/23 budget £000
<b>Own resources</b>	1,465	2,233	2,313	2,434	2,469

**Table 3: Replacement of debt finance**

4.17 - The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £27.8m during 2020/21. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

	31.3.2019 actual £000	31.3.2020 forecast £000	31.3.2021 budget £000	31.3.2022 budget £000	31.3.2023 budget £000
<b>General Fund services</b>	78,317	105,580	114,997	112,564	110,095
<b>Council housing (HRA)</b>	56,908	71,118	89,517	114,118	128,801
<b>TOTAL CFR</b>	<b>135,225</b>	<b>176,698</b>	<b>204,514</b>	<b>226,682</b>	<b>238,896</b>

**Table 4: Prudential Indicator: Estimates of Capital Financing Requirement**



4.18 - Asset management: To ensure that caPage 51; continue to be of long-term use, the Council has an asset management strategy in place.

4.19 - Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive capital receipts in the coming financial year as follows:

	2018/19 actual £m	2019/20 forecast £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
<b>GF Asset sales</b>	0.17	0.016	-	-	-
<b>HRA Asset sales</b>	2.849	0.9	1.5	1.5	1.5
<b>Capital loans and grants repaid</b>	<b>0.856</b>	<b>1.035</b>	<b>1.152</b>	<b>1.135</b>	<b>1.14</b>
<b>TOTAL</b>	<b>3.875</b>	<b>1.951</b>	<b>2.652</b>	<b>2.635</b>	<b>2.64</b>

Table 5: Capital



# 5. Treasury Management Page 52

- 5.1 -** Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing. Due to decisions taken in the past, the Council currently has £160.239m borrowing at an average interest rate of 2.49% and £21.807m treasury investments at an average rate of 2.24%.
- 5.2 -** Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.5% to 3.5%).
- 5.3 -** Projected levels of the Council's total outstanding debt which comprises borrowing are shown below, compared with the capital financing requirement (see above).

	31.3.2019 actual £000	31.3.2020 forecast £000	31.3.2021 budget £000	31.3.2022 budget £000	31.3.2023 budget £000
<b>Debt</b>	120,595	163,294	193,802	218,443	233,173
<b>Capital Financing Requirement</b>	135,225	176,698	204,514	226,682	238,896

**Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement**

- 5.4 -** Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.
- 5.5 -** Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £17m at each year-end. This benchmark is currently £17m and is forecast to remain the same over the next three years.

	31.3.2019 actual £000	31.3.2020 forecast £000	31.3.2021 budget £000	31.3.2022 budget £000	31.3.2023 budget £000
<b>Outstanding borrowing</b>	120,595	163,294	193,802	218,443	233,173
<b>Liability benchmark</b>	101,290	146,294	176,802	201,443	216,173

**Table 7: Borrowing and the Liability Benchmark**



5.6 - The table shows that the Council ePage 53 remain borrowed above its liability benchmark. The liability benchmark is the total amount borrowed less investments held at year end or forecast. The Council wishes to have a treasury investment portfolio which achieves significant revenue income.

5.7 - Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	2019/20 limit £000	2020/21 limit £000	2021/22 limit £000	2022/23 limit £000
<b>Authorised limit – total external debt</b>	298,000	320,000	350,000	370,000
<b>Operational boundary – total external debt</b>	288,000	310,000	340,000	360,000

**Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt**

5.8 - Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

5.9 - The Council’s policy on treasury investments is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

	31.3.2019 actual £000	31.3.2020 forecast £000	31.3.2021 budget £000	31.3.2022 budget £000	31.3.2023 budget £000
<b>Near-term investments</b>	11,536	9,000	9,000	9,000	9,000
<b>Longer-term investments</b>	8,000	8,000	8,000	8,000	8,000
<b>TOTAL</b>	<b>19,536</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>

**Table 9: Treasury management investments**

5.10 - Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Director Finance Assets and his staff, who must act in line with the treasury management strategy approved by Full Council. Quarterly reports on treasury management activity are presented to cabinet. The Treasury Management Panel is responsible for scrutinising treasury management decisions.

# 6. *The capital programme*

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- 6.1 - The Capital Programme is laid out in a separate report to Cabinet and Council each financial year as part of the annual budget setting process. The report reflects the most recent forecasts of expenditure based on Government announcements.
- 6.2 - Annually capital bids are invited for assessment and consideration. In preparing the annual capital programme, new schemes will be appraised using the assessment against corporate priorities and objectives business case template.
- 6.3 - The annual capital programme contains a projection of the capital investment required over a 4 year period. Typically, the capital programme consists of 4 areas of expenditure (i) replacement of vehicles (ii) replacement of ICT equipment / infrastructure (iii) housing grants for disabled facilities adaptations and (iv) to enable the provision of increased affordable housing.

## *Investments for Service Providers*

- 6.4 - The Council makes investments to assist local public services, including making loans to the Council's subsidiaries and other local service providers that provide services to promote economic growth. In light of the public service objective, the Council is willing to take more risk than with treasury investments; however, it still plans for such investments to generate a small surplus after all costs.
- 6.5 - Governance: Decisions on service investments are made by Full Council under the guidance of the Executive Director Finance and Assets. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.





# 7. *Programmed maintenance*

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7.1 - The Council's Planned Maintenance Programme for property is reviewed annually and the programme includes the following types of expenditure:

- Planned – cyclical, programmed maintenance work for buildings based on regular condition surveys
- Routine – includes electrical and mechanical installation service contracts for the maintenance of infrastructure e.g. security/fire alarms and lifts
- Reactive – emergency / ad-hoc / unplanned expenditure.

7.2 - The Council budgets for an annual revenue contribution of £470k (2020/21) to the Planned Maintenance Reserve and an £200k contribution (2020/21) to the Capital Reserve. In order to assess the longer-term maintenance obligations, it is considered necessary for a programme covering the next 10 years to be estimated to ensure adequate resources are in place to mitigate known and expected liabilities. It should be noted that maintenance expenditure can only be funded from revenue sources.



## 8. Commercial Strategy

- 8.1 - Local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and they may wish to hold investments to facilitate this. When determining whether to acquire, the Council needs to recognise the contribution the asset will make. The contribution could be classified as direct service delivery and/or place-making, for example economic growth, business rates growth, responding to market failure or sustainability of certain asset classifications.
- 8.2 - With central government financial support for local public services declining, the Council invests in commercial property mainly for financial gain. Total commercial investments are currently valued at £76.309m, providing a net return after all costs of 4.19% for 2019/20 and a predicted return of 4.44% for 2020/21. The net yield is calculated to be 5.25% for both 2019/20 and 2020/21.
- 8.3 - With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The Priorities for the Council when acquiring property interests for investment purposes are detailed below and each property will be assessed on a case by case basis:
- **Covenant Strength** - in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The Council's primary reason and objective for this strategy is financial gain. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.
  - **Lease length** - in the case of a let property, the unexpired length of the term of the lease or a tenant's break clause is of key importance in ensuring that the landlord's revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacement tenants at acceptable rental levels. Generally occupiers are moving away from 25 year leases which were more common back in the late twentieth century with 10 to 15 years now becoming more acceptable unless some form of lease break provisions are included in favour of the tenant.
  - **Rate of return** - the rate of return from the property (for example through annual rental incomes) will need to be equivalent or better to the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also need to produce an annual return in excess of the cost of PWLB borrowing or any other institution (principle and interest payments). The Council will therefore aim to achieve a minimum net yield of 5%, excluding the cost of debt financing (principle and interest) but including other expenses.
  - **Risk** - rate of return needs to be balanced against risk. In general, the higher the return from an investment, the higher level of risk that it carries. For example, a higher return may lead to longer voids at lease end or lower covenant strength of tenant and therefore higher risk of default, or over-rented against current market rents and risk of lower future income.

- Lease Terms - The terms of leases vary and even those held on an “Institutionally acceptable basis” can be very different in nature particularly as such leases have developed over time. The Council is seeking to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This will ensure a certain income/return to the Council.
- Growth - property has the potential for both revenue and capital growth. The Council will take into account that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income. However, this can lead to over-renting in a downward market and the Council needs to be aware of this at lease end or tenant forfeiture.
- Location - should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. The Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. Preference should be given to properties located within Cheltenham or in close proximity such as Gloucestershire Airport. This does not prevent investment outside of Cheltenham, subject to the appropriate justification and business case and correct governance procedure.
- Sector - information as to the sector of use of the property (e.g. office, retail, industrial, leisure) will assist in deciding on the risks associated with specific properties and the mix of sectors within the portfolio. It is essential that the overall portfolio is balanced with no overall exposure to one particular asset classification.
- Building Age and Specification - in the case of a let property, whilst the Council, as an investor, may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future, or the costs incurred to bring the property up to a lettable standard at the end of an existing lease. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant. Any permitted development rights will also be a consideration for the future.



8.4 - In summary, the strategy for acquiring **Page 58**nt property assets is therefore to:

- Seek property let to tenants who are of strong covenant strength and sound financial standing with at least more than five years remaining on an FRI lease.
- Minimise risk.
- Maximise rental income and minimise management costs to ensure the best return is generated, thus making a positive contribution to the MTFS.
- Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.
- Prioritise Cheltenham.
- Pursue opportunities to increase returns and improve the investment value of commercial assets.

8.5 - Governance: Decisions on commercial investments are made by the Cabinet and Full Council in line with the criteria and limits approved by Full Council in December 2016. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

8.6 - Further details on commercial investments and limits on their use are on pages 2 of the investment strategy report.

## 9. Revenue Budget Implications

9.1 - Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
<b>Financing costs (£m)</b>	3.134	3.889	4.002	4.002	4.002
<b>Proportion of net revenue stream</b>	6.26%	9.46%	9.59%	9.58%	9.58%

**Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream**

9.2 - Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Executive Director Finance and Assets is satisfied that the proposed capital programme is prudent, affordable and sustainable as detailed in paragraph 10.4 below.

# 10. Conclusion <sup>Page 59</sup>

- 10.1 - The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Executive Director Finance and Assets is a qualified accountant of fellowship status with over 20 years' experience. The Managing Director Place and Growth has over 30 years' experience in regeneration and development industry, and has worked in both the private and public sectors, in a delivery and advisory capacity. The Head of Property Services and Asset Management has over 25 years' experience in the public/private retail estate market. The Council pays and actively encourages staff to study towards relevant professional qualifications.
- 10.2 - Where Council employed staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extra-ordinary transactions as required. Examples of such transactions include property acquisitions, and loans to third parties. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 10.3 - Given that the Council's capital resources are diminishing, the importance of working with external partners to jointly fund schemes is recognised. The Council has well established working relationships with other major public service bodies at a single-service level, for instance the provision of new affordable housing, where the Council not only works with Cheltenham Borough Homes and the other Housing Authorities in Gloucestershire, but also with active Registered Social Landlords and the private sector.
- 10.4 - All capital investment must be sustainable in the long term through revenue support by the Council or its partners. All capital investment decisions consider the revenue implication both in terms of servicing the finance and running costs of the new assets. The impact of the revenue implications is a significant factor in determining approval of projects. The use of capital resources has been fully taken into account in the production of the Council's MTFS
- 10.5 - The Council continues to make significant strides forward in ensuring that a more coherent approach to capital planning and asset management is taken.





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## Investment Strategy Report 2020/21

### Cheltenham Borough Council

#### **Introduction**

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy for 2020/21 meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

#### **Treasury Management Investments**

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities lead to a cash surplus at various points of the year which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £26.3m and £32.0m during the 2020/21 financial year.

**Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

**Further details:** Full details of the Authority's policies and its plan for 2020/21 for treasury management investments are covered in a separate document – the treasury management strategy - which is available via the Council's website.

**Service Investments: Loans**

**Contribution:** Subject to a business case, the Council will lend money to its subsidiaries. The Council also lends money to support local public services and stimulate local economic growth. These include loans to organisations and residents within the Borough which support the priorities of the Council.

**Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as below in table 1. Most of the loans made in the past have been to subsidiaries Cheltenham Borough Homes (CBH) and Gloucestershire Airport which is 50% shared with Gloucester City Council.

*Table 1: Loans for service purposes in £*

Category of borrower	31.3.2019 actual £			2020/21
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Charities	563,989	-	563,989	700,000
Cheltenham Borough Homes	6,520,875	-	6,520,875	107,000,000
Gloucestershire Airport	511,141	-	511,141	7,250,000

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans that the Council has made are limited to specific service areas and subsidiaries and the likelihood of non-payment is minimal. There is no history of non-payment and no evidence to suggest that there will be any default against the loans granted. As a result, no allowance for loss has been included against the loan balances. Should any indication be given that there is a risk of default then the risk will be assessed and a provision established at that time. Should a loan default, the Authority will make every reasonable effort to collect the full sum lent and recover any overdue repayments.

In addition to the loans granted the Council has included provision in its Treasury Management Strategy to loan up to £500,000 to both Ubico Limited and Cheltenham Borough Homes (CBH) and up to £100,000 to Publica Group (Support) Limited, Cheltenham Festivals, The Cheltenham Trust and Cheltenham BID should any company require our support. The Council is a shareholder in Gloucestershire Airport, Ubico and SWAP (South West Audit Partnership) and a shared owner in Publica. In these cases, the loan facility is to enable the Council to be able to provide a loan for short-term cash flow purposes.

**Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by undertaking credit checks and ensuring that appropriate legal documentation is in place to secure the Council's money.

The Council also receives independent financial advice on its financial dealings from Arlingclose Limited.

**Service Investments: Shares**

**Contribution:** The Council has a £1 shareholding in Ubico Ltd. Ubico Ltd is wholly-owned by seven local authorities and operates as a not for profit enterprise. Ubico Ltd is an environmental services company which provides household and commercial refuse collection, recycling, street cleansing, grounds maintenance and fleet maintenance services to the Council. Also the Council has £435,222 shareholding in Gloucestershire Airport (at cost) which equates to 50%. The other 50% is retained by Gloucester City Council.

**Security:** One of the risks of investing in shares is that they could fall in value meaning that the initial outlay may not be recovered. The Council has no other shareholdings.

*Table 2: Shares held for service purposes in £*

Category of company	31.3.2019 actual £		
	Amounts invested at cost	Gains or losses	Value in accounts
UBICO	1	-	1
Gloucestershire Airport	435,222	1,264,778	1,700,000
<b>TOTAL</b>	<b>435,223</b>	<b>1,264,778</b>	<b>1,700,001</b>

**Risk assessment:** the Council has not invested into Ubico or Gloucestershire Airport to generate a financial return. The Council has invested purely to support service provision. Ubico is a cost sharing company – any surplus generated within Ubico is returned to the partner Councils [shareholders] similarly with any deficit met by the Councils. Through regular budget monitoring and sound financial management by Ubico and transparency within calculation of contract sums, the risk of any financial loss is mitigated.

**Liquidity:** the Council has not invested into Ubico or Gloucestershire Airport to generate a financial return. The Council has invested purely to support service provision. The Council has no intention to dispose of its investment in the foreseeable future.

**Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

**Service Investments: Workshop Cheltenham**

On 8<sup>th</sup> October 2019, Cabinet approved the recommendation to support the creation of the Workshop Development by Workshop Cheltenham Limited (WSC) on Chester Walk car park. WSC will provide a tier 2 growth hub, flexible workspace for creative industry start-ups and incubation units for cyber tech companies along with an events space and a new home for Cheltenham Festivals.

WSC approached the council to consider an investment into WSC to facilitate the delivery of the project. As a result, on 3rd March 2020, Cabinet approved (in exempt session) the proposal for an investment of up to £1.7m with WSC to facilitate the delivery of the facility.

The precise nature of the vehicle for delivery of the Workshop Development has yet to be determined and as such, Cabinet delegated responsibility to set up the most appropriate vehicle and investment mechanism to support WSC, including if necessary setting up a new company with WSC.

Due diligence is still required on the numbers set out in the proposal however the breakeven point for Workshop to be profitable is just below 50% occupancy if £1.7m is invested and 49.8% occupancy if £1.45m is invested. It is estimated that the occupancy will be an average of around 50% for the first year and then grow 5% per annum.

It is proposed that WSC will repay the investment on a straight line basis over the 10 year period, based on a value of up to £170k p.a. (1/10th of the investment sum). This will be the first draw on the gross profit and taken directly as a cost of running the venture along with costs such as the lease of the land to CBC. It is proposed that the council will receive a share of the net profit based on 60% to WSC and 40% to the council which ensures a commercial rate of return to the council. The full business case, including projected investment returns to the council, is contained within the exempt report and appendices approved by Cabinet on 3<sup>rd</sup> March 2020.

As such, the following table includes parameters to allow for an investment of up to £1.7m to support the development of Workshop Cheltenham.

*Table 1: investment for service purposes in £*

Category of borrower	31.3.2019 actual £			2020/21
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Workshop Cheltenham Limited	-	-	-	1,700,000

### **Commercial Investments: Property**

Investment Property is defined in the CIPFA code of practice on Local Authority Accounting as property (land or buildings, or both) held solely to earn rentals or for capital appreciation, or both. The Council holds a number of assets which it classifies as Investment Properties.

**Contribution:** The Council owns a number of Investment Properties within Cheltenham, with the intention of generating a revenue income to support the revenue budget.

*Table 4: Property held for investment purposes in £ (including HRA Investment properties)*

Property	Purchase Price	01.4.18	31.3.2019 actual £		31.3.2020
		Value in accounts £	Purchases, Gains or (losses)	Value in accounts £	Expected value* £
Investment Property within Cheltenham	Various	35,320,000	40,673,000	75,993,000	104,097,200

*\*During 2019/20 the council purchased land to develop, costing £39.6m, of which £28.1m (the General Fund proportion) is classified as Investment property, the value of which at 31<sup>st</sup> March 2020 is currently being assessed for the year end accounts.*

**Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Authority's investment property portfolio is made each year as part of the final accounts process. Investment Property is valued at market value.

The fair value of the Authority's investment property portfolio is included in the Statement of Accounts, based upon 'market value'. The Council's Investment Property is held primarily to generate a stable income stream to support the revenue budget. Should a property be sold any profit/loss on disposal will be recognised at that point. The Council has no plans to dispose of any Investment Property in the near future.

**Risk assessment:** The Council aims to generate a revenue return from its Investment Property assets which is greater than the return generated by its Treasury Management activity. It is understood that the fair value of property will fluctuate, although it is anticipated that the revenue returns in 2020/21 will remain constant. The Authority assesses the risk of movement in asset values before entering into and whilst holding property investments and mitigates the risk by purchasing property with secure tenants on long leases.

**Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the Council has cash funds that can be accessed when they are needed, the Treasury management policy includes the provision of liquid investments should the Council be in need of cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.

### **Loan Commitments and Financial Guarantees**

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

The Authority is a shareholder of Ubico Ltd and Gloucestershire Airport Ltd, and owner by guarantee and is a joint partner in Publica Group (Support) Limited (¼ owner). In both cases, should the company overspend the Council would be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice.

### **Proportionality**

The Authority is dependent on investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the General Fund expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected income from treasury investments over the lifecycle of the Medium Term Financial Plan. Should it fail

to achieve the expected income targets, the Authority will be required to draw additional balances from reserves, or generate savings elsewhere within the budget to continue to provide its services.

*Table 4: Proportionality of Investments in £*

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Forecast	2022/23 Forecast
Gross service expenditure*	35,498,605	35,720,115	34,904,403	35,602,491	36,314,541
Investment income	3,125,720	4,996,209	4,851,409	4,851,409	4,851,409
Proportion	8.8%	13.99%	13.9%	13.6%	13.4%

\* Excluding Housing Benefit payments.

### **Borrowing in Advance of Need**

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority has plans to borrow in 2020/21 to invest in new capital schemes. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes. There are no plans to borrow in advance of need.

### **Capacity, Skills and Culture**

#### **Summary of knowledge and skills available to the authority:**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Executive Director Finance and Assets is a qualified accountant of fellowship status with 20 years' experience. The Managing Director Place and Growth has over 30 years' experience in regeneration and development industry, and has worked in both the private and public sectors, in a delivery and advisory capacity. The Head of Property Services and Asset Management has over 25 years' experience in the public/private retail estate market. The Council pays and actively encourages staff to study towards relevant professional qualifications.

Where Council employed staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extra-ordinary transactions as required. Examples of such transactions include property acquisitions, and loans to third parties. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

The Council has experience of investing in commercial property in recent years. The Council's property service's officers have the following qualifications or status:

- BSc Hons Real Estate Management
- Member Royal Institute Chartered Surveyors

- Royal Institute Chartered Surveyors Registered Valuer
- Member Chartered Institute of Public Finance and Accountancy

The Council's legal team, provided by One Legal, have experience of carrying out legal due diligence checks, particularly for commercial property acquisitions, and the legal officers have the following qualifications or status:

- Chartered Legal Executive
- Solicitor
- Para-Legals

The Property and Legal teams work together with the Finance team to support the Council's Executive Director Finance and Assets in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.

The Council has previously invested in a range of diversified commercial properties which are delivering a sustainable revenue stream to the Council. Any further investment in non-treasury management transactions will be set out in this, or future iterations of this strategy.

### **Scrutiny Arrangements:**

The Cabinet will make decisions or make recommendations to full Council on new investments that are not part of Treasury Management Activity.

Financial Performance is reported quarterly to Cabinet. This will include the financial performance of the Treasury management function and any other revenue generating investments.

Treasury Management performance is reported at half-year and year-end to the Treasury Management Panel and to full Council.

The Council's internal audit provider (South West Audit Partnership Ltd) regularly audits the Council's treasury management activity and its processes and procedures for approving investment and performance management. SWAP report to the Council's Audit Committee.

### **Investment Indicators**

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

**Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to and any guarantees the Authority has issued over third party loans.

*Table 5: Total investment exposure in £*

Total investment exposure	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	19,493,550	19,000,000	19,000,000
Service investments: Loans	7,834,503	7,434,135	7,170,599
Service investments: Shares (at cost)	435,224	435,224	435,224
Commercial investments: Property	75,993,000	104,087,400	115,817,820
TOTAL INVESTMENTS	103,756,277	130,956,759	142,423,643
Commitments to lend <sup>1</sup>	-	-	-
TOTAL EXPOSURE	103,756,277	130,956,759	142,423,643

<sup>1</sup> This excludes the potential loan facility offered to Ubico Limited, Publica Group (Support) Limited and Cheltenham Trust for cash flow purposes.

**How investments are funded:** Government guidance is that these indicators should include how investments are funded. The Council's plans for borrowing are limited to a small number of schemes – which are primarily for service delivery – which do not form part of this report. As a result, investments funded by borrowing can be presented as follows:

*Table 6: Investments funded by borrowing in £*

Investments funded by borrowing	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	-	-	-
Service investments: Loans	7,834,503	7,434,135	7,170,599
Service investments: Shares	-	-	-
Commercial investments: Property	52,553,048	79,527,259	90,102,936
TOTAL FUNDED BY BORROWING	60,387,551	86,961,394	97,273,535



**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

*Table 7: Investment rate of return (net of all costs)*

Investments net rate of return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury management investments	1.85%	2.00%	2.00%
Service investments: Loans			
Cheltenham Borough Homes	3.93%	3.93%	3.93%
Gloucestershire Airport	1.80%	1.80%	1.80%
Everyman Theatre	3.93%	3.93%	3.93%
St Margarets Hall	3%	3%	3%
Service investments: Shares	0%	0%	0%
Commercial investments: Property yield/contribution (net of borrowing)	£1,747,275	£3,194,651	£3,390,745
Commercial investments: Property	5.24%	4.19%	4.44%

**Net Yield:** This indicator calculates the annual profit (income minus costs) generated by an asset, divided by its price. The costs that you would normally consider include agent fees, insurance, an allowance for repairs, an allowance for voids (the property being empty), service charge and ground rent. In order to provide consistency across the property portfolio, net yield is used to assess the returns.

*Table 8: Net yield on commercial property investments*

Net Yield	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Commercial investments: Property	5.86%	5.25%	5.25%

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## **TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21**

### **1. Introduction**

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

### **2. Economic Background**

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

UK Consumer Price Inflation (CPI) for November registered 1.5% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, was also 1.5% in November. The most recent labour market data for the three months to October 2019 showed the unemployment rate remained at 3.8% while the employment rate was 76.2%, just above recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.2% in October as wages dipped steadily. In real terms, after adjusting for inflation, pay growth decreased to 3.5%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in December following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even with the Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

### **3. Credit outlook**

Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

### **4. Interest rate forecast**

The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the recent general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its December Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 0.70% to 0.80%.

## 5. Balances

On 31<sup>st</sup> December 2019, the council held £160.239m of borrowing and £17.738m of investments. This is set out in further detail at Appendix 2. Forecast changes in these sums are shown in the balance sheet analysis in the table below.

Table 1: Balance sheet summary and forecast

	<b>31.3.19 Actual £m</b>	<b>31.3.20 Estimate £m</b>	<b>31.3.21 Forecast £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>
General Fund CFR	78,317	105,580	114,997	112,564	110,095
Housing (HRA) CFR	56,908	71,118	89,517	114,118	128,801
<b>Total CFR</b>	<b>135,225</b>	<b>176,698</b>	<b>204,514</b>	<b>226,682</b>	<b>238,896</b>
Less: Usable reserves	(28,712)	(20,816)	(13,254)	(13,254)	(13,254)
Less: Working capital	(5,454)	(1,500)	(1,500)	(1,500)	(1,500)
<b>Net borrowing</b>	<b>101,059</b>	<b>154,382</b>	<b>189,760</b>	<b>211,928</b>	<b>224,142</b>

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Authority has an increasing CFR due to the HRA capital programme, but minimal investments and will therefore be required to borrow up to £71m over the forecast period.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2020/21.

## 6. Borrowing Strategy

**6.1** The Authority currently holds £160.239m of loans, an increase on the previous year, as part of its strategy for funding previous year's capital programmes by temporary loans. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £23m in 2020/21 in respect of asset purchases for the HRA. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £233m for 2020/21.

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs

over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

## 6.2 Sources of borrowing:

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except our local) Pension Fund
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

**Public Works Loan Board:** The Authority has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Authority will now look to borrow any long-term loans from other sources including banks, pension funds and local

authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

**Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet and full Council.

**LOBOs:** The Authority holds £7m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £2m of these LOBOS have options during 2020/21, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

**Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators.

**Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

## **7. Investment Strategy**

### **7.1 Introduction**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has averaged from as high as £30m and as low as £14m over the last twelve months.

### **7.2 Objectives**

Both the CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from

defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

### **7.3 Negative interest rates**

If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Given the increasing risk and low returns from short-term unsecured bank investments, the Authority aims to remain with a diversified investment portfolio. This is especially the case for the estimated £8m that is available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit, money market funds and Pooled Funds. This diversification will represent a continuation of the strategy over the coming year.



**Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£6m 20 years	£7m 50 years	£5m 20 years	£5m 20 years
AA+	£6m 5 years	£6m 10 years	£7m 25 years	£4m 10 years	£5m 10 years
AA	£6m 4 years	£6m 5 years	£7m 15 years	£4m 5 years	£5m 10 years
AA-	£6m 3 years	£6m 4 years	£7m 10 years	£3m 4 years	£5m 10 years
A+	£6m 2 years	£6m 3 years	£7m 5 years	£3m 3 years	£5m 5 years
A	£6m 13 months	£6m 2 years	£6m 5 years	£3m 2 years	£3m 5 years
A-	£6m 6 months	£6m 13 months	£5m 5 years	£2m 13 months	£3m 3 years
None	£2m 6 months	£2m 6 months	n/a	n/a	n/a
<b>MMF Pooled funds</b>	£3m per fund £5m per fund manager				

## 7.4 Credit rating

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

**Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment as part of a diversified pool in order to spread the risk widely.

**Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain the likelihood of receiving government support if needed.

**Pooled funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available

for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

### **Operational bank accounts**

The Council banks with Lloyds (Lloyds Banking Group). On adoption of this Strategy, it will meet the minimum credit criteria of A- (or equivalent) long term. It is the Councils intention that even if the credit rating of Lloyds Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

### **Policy investments**

Over the years the Authority has provided cash-flow cover for a number of third-party organisations linked to the Authority. The following limits are set for 2018/19:

• Cheltenham Festivals	£100k up to one year duration
• Gloucestershire Everyman Theatre	£100k up to one year duration
• Ubico Limited	£500k up to one year duration
• Cheltenham BID	£100k up to one year duration
• The Cheltenham Trust	£100k up to one year duration
• Publica Group	£100k up to one year duration
• Cheltenham Borough Homes	£97m Non-specified duration*
• Cheltenham Borough Homes	£10m Equity Non- Specified duration**
• Cheltenham Borough Homes	£500k up to one year
• Gloucestershire Airport Limited	£1.75m up to one year
• Gloucestershire Airport Limited	£5.5m Non-specified duration
• Folk2Folk (Peer to Peer lending)	£75k Non-specified duration***

\*Cheltenham Borough Homes is looking to borrow £90m and a further \*\*£10m Equity Investment from the council to assist in three areas over the coming years to provide substantial new housing in the town by providing Private Rented Sector (PRS) housing, purchasing 106 sites and building new homes. The drawdown of the loans will be over a period of 40 years.

\*\*\*Folk2Folk is a peer to peer lending platform in which the council can lend to support local, rural and entrepreneurial businesses. The investment limit will be £75,000 (in total) up to a maximum of 5 years. Interest rates earned can be between 4.5% and up to 9% per annum.

### **Renewable Energy investments**

Over recent years significant investments from Local Authorities in the Renewable Energy markets has occurred by way of investing in an energy bond. Currently the council has approved the use of Corporate Bonds and has used them on a regular basis but only for a maximum of two years previously. To be able to potentially invest in Green Renewable energy recommendation was made following consultation with members of the Treasury Management Panel on the 5<sup>th</sup> June 2017 and approved by Council on 24<sup>th</sup> July 2017 that up to £2m in relation to Green Investment bonds can be invested up to 5 years.

## **7.5 Risk assessment and credit ratings**

Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

## **7.6 Other information on the security of investments**

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

## **7.7 Specified investments**

The CLG Guidance defines specified investments as those:

- denominated in pound sterling,

- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

### 7.8 Non-specified investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	<b>Cash limit</b>
Total long-term investments	£15m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£10m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£10m

### 7.9 Investment limits

The Authority’s revenue reserves available to cover investment losses are forecast to be £22.3 million on 31st March 2020. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £6 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£6m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£5m per manager
Foreign countries	£4m per country
Registered providers	£5m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates – Renewable Energy	£4m in total-£2m max in each
Money Market Funds	£10m in total

### 7.10 Liquidity management

The Authority uses purpose-built cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

## 8. Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

## 9. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

## 9.1 Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	<b>Target</b>
Portfolio average credit rating	<b>A</b>

**Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	<b>Upper</b>	<b>Lower</b>
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.



**Principal sums invested for periods longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£10m	£10m	£10m

## 10. Other Items

There are a number of additional items that the Authority is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

### 10.1 Policy on the use of financial derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

### 10.2 Policy on apportioning interest to the HRA

On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow

(adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each year and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

### **10.3 Markets in Financial Instruments Directive**

The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

### **10.4 Investment training**

The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Officers regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

### **10.5 Investment advisers**

The Authority appointed Arlingclose Limited as treasury management advisers for three years plus the option for a further two years after a joint tender with Gloucestershire County Council, South Gloucestershire Council and the Forest of Dean District Council back in December 2017. The Authority receives specific advice on investment, debt and capital finance issues.

### **10.6 Investment of money borrowed in advance of need**

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £320m. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

## 10.7 Financial Implications

The budget for investment income in 2020/21 is £437k, based on an average investment portfolio of £22 million at an interest rate of 2.00%. On top of this interest received on third parties loans amounts to £266k. The budget for debt interest to be paid in 2020/21 is forecast to be £4.002 million, based on an average debt portfolio of £160m at an average interest rate of 2.5%. The HRA will reimburse the General Fund £1.784m for its share of the debt it holds as at 1<sup>st</sup> April 2020. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

## 10.8 Alternative options

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **Annex A – Arlingclose Limited Economic & Interest Rate Forecast December 2019**

### **Underlying assumptions:**

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- The new conservative UK government will progress with achieving Brexit on 31st January 2020. The more stable political environment will prompt a partial return in business and household confidence in the short term, but the subsequent limited Brexit transitional period, which the government is seeking to enforce, will create additional economic uncertainty.
- UK economic growth has stalled in Q4 2019. Inflation is running below target at 1.5%. The inflationary consequences of the relatively tight labour market have yet to manifest, while slower global growth should reduce the prospect of externally driven pressure, although escalating geopolitical turmoil could continue to push up oil prices.
- The first few months of 2020 will indicate whether the economy benefits from restored confidence. The government will undertake substantial fiscal easing in 2020/21, which should help support growth in the event of a downturn in private sector activity.
- The weak outlook for the UK economy and low inflation has placed pressure on the MPC to loosen monetary policy. Two MPC members voted for an immediate cut in the last two MPC meetings of 2019. The evolution of economic data and political moves over the next few months will inform policy, but upside risks to Bank Rate are very limited.
- Central bank actions and escalating geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

**Forecast:**

- Although Arlingclose have maintained the Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant from the government's policy around Brexit and the transitionary period.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>3-month money market rate</b>														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.25
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>1yr money market rate</b>														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	0.23
<b>Arlingclose Central Case</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.60
<b>5yr gilt yield</b>														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	0.37
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.55</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.57</b>
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.56
<b>10yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.80</b>	<b>0.80</b>	<b>0.85</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.95</b>	<b>0.95</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>0.88</b>
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.45
<b>20yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
<b>Arlingclose Central Case</b>	<b>1.20</b>	<b>1.20</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>	<b>1.40</b>	<b>1.30</b>
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45
<b>50yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
<b>Arlingclose Central Case</b>	<b>1.20</b>	<b>1.20</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>	<b>1.40</b>	<b>1.30</b>
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45

**Appendix B – Existing Investment Position**

	31 <sup>st</sup> December 2019 Actual Portfolio £m	31 <sup>st</sup> December 2019 Average Rate %
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	8.258	0.86
Government (incl. local authorities)	2.000	1.00
Glos Airport	0.450	3.75
Money Market Funds	0.030	0.70
Other pooled funds		
CCLA Property Investment Management	3.000	4.34
CCLA Diversified Income	2.000	3.20
Schroders Unit Trusts Ltd	2.000	7.45
<b>Total treasury investments</b>	<b>17.738</b>	<b>1.91%</b>



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## Minimum Revenue Provision Statement 2020/21

Where the Authority finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's (MHCLG's) *Guidance on Minimum Revenue Provision* (the Guidance) most recently issued in 2018.

The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods:

- For capital expenditure incurred before 1<sup>st</sup> April 2008, MRP will be determined in accordance with the former regulations that applied on 31<sup>st</sup> March 2008, modified to a more prudent basis as permitted by the Guidance. Since 2016/17 such MRP has been based on repaying the non-housing debt in equal annual instalments over a 35 year period (this is Option 1 in the Guidance).
- For capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments *or* equal to the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the life of the asset, starting in the year after the asset becomes operational (Option 3 of the guidance).

MRP on purchases of freehold land will be charged over 50 years, *except* where the land is subsequently held for sale as part of an Investment / economic development / regeneration project (in which case no MRP will be charged, the debt being repaid by applying the capital receipts / sale proceeds when received), or where the land is being held for future council development (in which case the MRP will be based on the asset life of the building(s) resulting from the development, commencing the year after those building(s) become operational).

MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22 or until the year after an asset becomes operational.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2020, the budget for MRP and voluntary revenue overpayments (or VRP) has been set as follows:

	31.03.2020 Estimated CFR £m	2020/21 Estimated MRP/VRP £m
Capital expenditure before 01.04.2008	6.887	0.222
Capital expenditure after 31.03.2008	91.259	1.657
Loans to other bodies repaid in instalments	7.434	0.012
Voluntary overpayment	n/a	0.171
<b>Total General Fund</b>	<b>105.580</b>	<b>2.062</b>
Housing Revenue Account	71.118	Nil
<b>Total</b>	<b>176.698</b>	<b>2.062</b>

**Overpayments:** In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to make a further £171,441 overpayment (known as Voluntary Revenue Provision or VRP) in 2020/21.

MRP Overpayments	£
Expected balance 31.03.2020	889,486
Planned overpayment/(drawdown) 2020/21	171,441
Forecast balance 31.03.2021	1,060,927

**Cheltenham Borough Council**  
**Council – 23 March 2020**  
**Update to the Constitution**

<b>Accountable member</b>	<b>Leader of the Council, Councillor Steve Jordan</b>
<b>Accountable officer</b>	<b>Chief Executive, Gareth Edmundson</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>N/A</b>
<b>Executive summary</b>	<p>Paragraph 39 of Schedule 12 to the Local Government Act 1972 states that any decision taken at a local authority meeting (including committees and sub committees) shall be decided by a majority of those present and voting. This requires Members to be physically present in order for the meeting to take place.</p> <p>In light of the current COVID-19 emergency this Council has now postponed all scheduled Committee meetings of the authority until further notice due to the current and necessary restrictions.</p> <p>In advance of anticipated emergency Government legislation it is necessary for the Council to make temporary arrangements for continuity of decision-making, so far as is permissible, by temporary changes to the Council's Constitution.</p> <p>These proposed changes are necessary to enable decisions to be taken on non-executive and regulatory functions via temporary changes to the scheme of delegation as set out in the report.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. That the arrangements, including recommended changes to the Council's Constitution as set out in sections 3 and 4 of this report, be implemented immediately.</b></li> <li><b>2. That the arrangements referred to in 1 above be reviewed regularly by the Chief Executive in consultation with the Leader of the Council, the Mayor, Committee and Sub-Committee Chairs and Political Group Leaders and be discontinued when arrangements are in place for the resumption of meetings of all Council, Committees and Sub-Committees.</b></li> <li><b>3. That the Borough Solicitor be authorised to make any textual or other amendments which are necessary to ensure the accuracy, consistency and legality of the Constitution when incorporating the temporary revisions referred to in 1. above</b></li> </ol>

<b>Financial implications</b>	<p>Whilst there are no direct financial implications arising from this report, clearly some decisions will have direct financial implications. It is therefore essential that the Executive Director Finance and Assets (Section 151 Officer), or his nominated deputy, are consulted on any decisions that require additional financial resources to ensure:</p> <ul style="list-style-type: none"> <li>• it is lawful expenditure</li> <li>• it is recorded correctly</li> <li>• budgetary provision is set aside or a request to central government for additional funding is applied</li> </ul> <p><b>Contact officer: Paul Jones, <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a>, 01242 264365</b></p>
<b>Legal implications</b>	<p>Currently Full Council, Committees and/or Sub-Committees must physically meet in order to make decisions as the law does not permit meetings to be held by remote access. Legislation would be required to change that position. It is therefore necessary to put in place alternative decision-making processes for the Council to enable decision making in the absence of meetings and remote meetings.</p> <p>Under a Committee system of governance, no individual member or officer can exercise delegated authority to take a decision on behalf of the council unless that member or officer has the authority to do so. The amendments to the scheme of delegation outlined in the report will introduce changes to the decision making structure that will enable certain decisions to be taken without the need to call meetings.</p> <p>The alternative arrangements do not however override the requirement for decisions to be made within the legal framework of the Local Government Act 1972 and other legislation. The proposed arrangements are intended to allow decisions to continue to be made within that framework. There are however certain decisions (for example, the setting of the council budget, certain policy adoptions or the determination of an application for a premises licence under the Licensing Act 2003 where representations have been received) that are by law reserved to Full Council or Committees and cannot therefore lawfully be delegated to officers.</p> <p>The recommendation therefore reflects this position and the delegation of decision making is limited to those decisions where delegation is permitted by law. Officers should therefore continue to seek legal advice prior to making any decisions.</p> <p>The process and procedures for recording decisions will still apply and the authority is required to ensure open and transparent decision making. The authority will continue to publish decisions that are taken and those decisions will still be the subject of the call-in process.</p> <p><b>Contact officer: <a href="mailto:legal.services@tewkesbury.gov.uk">legal.services@tewkesbury.gov.uk</a>, 01684 272012</b></p>

<b>HR implications (including learning and organisational development)</b>	None identified
<b>Key risks</b>	As outlined in appendix 1
<b>Corporate and community plan Implications</b>	The recommendations as set out will enable the council to expedite efficient decision making that will enable it to continue to deliver the priorities as set out in the corporate plan.
<b>Environmental and climate change implications</b>	N/A
<b>Property/Asset Implications</b>	The proposed recommendations will not have a direct impact on property matters.



## **1. Background**

- 1.1** Paragraph 39 of Schedule 12 to the Local Government Act 1972 states that any decision taken at a local authority meeting (including committees and sub committees) shall be decided by a majority of those present and voting. Members are therefore required to be physically present in the meeting.
- 1.2** In light of the current COVID-19 emergency and advice from the Government and Public Health England, this Council has now postponed all scheduled committee meetings of the authority until further notice due to the current and necessary restrictions
- 1.3** Recognising the above, the Government has indicated its intention to bring in emergency legislation within an expedited timescale. In advance of that emergency legislation being introduced, it is necessary to put in place alternative decision-making processes for the Council to provide a mechanism to ensure continuity in decision making by the authority, so far as it is permissible within current legislation. This report recommends necessary changes to the Council's Constitution to enable decision-making to continue.
- 1.4** These are temporary measures to address the current circumstances and are only intended to remain in place until the necessary legislative changes have been implemented or the advised restrictions on social isolation are removed. It is therefore recommended that the Chief Executive in consultation with the Leader of the Council, Committee and Sub-Committee Chairs and Political Group Leaders keep the arrangements under regular review and that the measures be discontinued when arrangements are in place for the resumption of all meetings of the Council, Committees and Sub-Committees
- 1.5** Due to the urgency, the Chair of the Constitution Working Group (CWG), which is the Member Group with responsibility for reviewing the Constitution, agreed that this report be brought as an urgent item before Council at its scheduled meeting on 23 March to expedite the constitutional changes required.

## **2. Executive Functions**

- 2.1** The Leader of the Council has authority to take urgent key decisions in accordance with part 3 E (Executive Functions) of the council's constitution. Such decisions are published on the Council's website accordingly. Consequently, there are no changes recommended in this regard.

## **3. Non-Executive Functions**

- 3.1** Table 4, Part 3D of the Council's Constitution –Responsibility for Functions-makes provision for the Chief Executive to take an urgent decision in respect of a non-executive function, including a Significant Decision, in a situation where there is not sufficient time for a report to be considered by Council or Appropriate Committee unless it is a decision that in law can only be made by Council. Wherever possible this shall be done in consultation with the Mayor or Appropriate Committee Chair.
- 3.2** It is proposed that this authority be extended to include the Council's Executive Directors in the absence of the Chief Executive and amended to include the following :

Chief Executive and Executive Directors	
Function	Condition
To make any decisions on behalf of the Council which can lawfully be delegated to officers	<p>The Chief Executive/Executive Director shall, before making any decision;</p> <ul style="list-style-type: none"> <li>(a) circulate a report detailing the decision to be taken, to all Members of the Council</li> <li>(b) consider all representations made by Members of the Council</li> <li>(c) not take any decision until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</li> <li>(d) consult with the Chief Executive/relevant Executive Director as appropriate</li> <li>(e) the Chief Executive/Executive Director shall report the decision taken to the next scheduled meeting of the Council or appropriate Committee</li> <li>(f) publish the decision on the Council's website</li> </ul>

- 3.3** It is important to note that in law there are some non-executive matters solely reserved for the Council which could not appropriately be delegated to Officers and would therefore be unaffected by the proposed change.

## 4. Regulatory Functions

- 4.1** In the current emergency situation it is important that the authority is able to continue to exercise its statutory planning and licensing functions. This is to ensure both statutory compliance and that the part of the economy supported by development, growth and licencing is not unnecessarily hindered. The changes proposed seek to address these challenges
- 4.2** **Planning Committee-** Under Part 3 D of the Council's Constitution (Responsibility for Functions), the relevant extract of which is attached as Appendix 2 to this report, the Council has delegated to the Director of Planning, a range of development management decisions, including planning applications, listed buildings applications, conservation area consent and tree preservation orders. This delegation is, however, constrained by conditions allocating some decisions to the Planning Committee as set out in Part 3 C of the Constitution, an extract of which is attached at Appendix 3 to this report.
- 4.3** Pending implementation of the legislation referred to above, and in order to ensure that decisions continue to be made, it is proposed that the changes be made to the Constitution as set out in the table below.
- 4.4** Part 3 D

Director of Planning		
Function	Current Condition	Proposed Condition
<p>Determine applications for:</p> <ul style="list-style-type: none"> <li>(a) full planning permission;</li> <li>(b) outline planning permission;</li> <li>(c) approval of reserved matters;</li> <li>(d) listed building consent;</li> <li>(e) conservation area consent;</li> <li>(f) advertisement control consent</li> </ul>	<p>Except as specifically allocated to Planning Committee under Part 3C Table 2</p>	<p>Before any decision is made in respect of any applications falling within paragraphs (a) (b) (c) (d) (e) and (f) under “Planning, etc. applications” within Table2 of Part 3C (Appendix 3 to this report), the Director of Planning shall:-</p> <ul style="list-style-type: none"> <li>(a) circulate to all Members of the Planning Committee a full report on the application including the decision which is proposed to be taken;</li> <li>(b) consider all representations made by Members of the Planning Committee in response to the report before determining the application</li> <li>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</li> </ul>
<p>Determine planning applications relating to trees including (a) trees covered by Tree Preservation Orders: and (b) trees within Conservation Areas.</p>	<p>Except as specifically allocated to Planning Committee under Part 3C Table 2</p>	<p>Before any decision is made in respect of any applications falling within paragraphs (a) and (b) under “Trees” within Table2 of Part 3C (Appendix 3 to this report),the Director of Planning shall:-</p> <ul style="list-style-type: none"> <li>(a) circulate to all Members of the Planning Committee a full report on the application including the decision which is proposed to be taken;</li> <li>(b) consider all representations made by Members of the</li> </ul>

		<p>Planning Committee in response to the report before determining the application</p> <p>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</p>
Other actions and decisions (including enforcement, entry on to land and planning agreements) as local planning authority under the Town & Country Planning Act 1990, Planning (Listed Building & Conservation Area) Act 1990 and all planning related legislation	Except as specifically allocated to or by Council	Except those functions that may only be exercised by the Council as set out in Table 1, Part 3B of the Constitution.
Highway authority functions relating to on-street parking (as delegated to the Authority by the County Council)		No change
Authorise the stopping up or diversion of a highway, footpath or bridleway or extinguish public rights of way over land held for planning purposes		No change
Extinguish public right of way over land acquired for clearance		No change
Undertake functions relating to high hedges and protection of important hedgerows		No change

**4.5** The effect of these changes are that, for the temporary period for which these changes apply, all matters listed in the above table will be delegated to the Director of Planning for decision subject to consultation with all Members of Planning Committee before any decision is taken. The provisions of Part 3 C of the Constitution (Appendix 3) will, during this period, be temporarily replaced, pending the resumption of meetings of the Planning Committee.

**4.6** Public participation in the planning process is essential. Public comments received as part of the planning application consultation process, together with the views expressed by elected Members, will continue to form an important part of the

planning decision making process.

- 4.7** Unlike Planning Committee, it is not practicable to publish Officer reports and recommendations prior to determination. Instead, delegated decisions are published once the application has been determined. It is quite likely that the number of planning applications received will reduce in coming weeks. It is therefore probable that the number of applications requiring Planning Committee decisions will likewise reduce.
- 4.8 Licensing Committee-** The authority is, in respect of licensing and gambling bound by statute and certain determinations cannot be delegated to officers. Equally it is recognised that Licensing Policies are, in law, required to be adopted by Council. Council is asked to consider the proposed changes to the scheme of delegation where they are permitted in law.
- 4.9** The impact of any policy changes facilitated by the Scheme of Delegation will be considered and consulted upon prior to implementation and taken in a reasonable and fair way.
- 4.10** To ensure that the delegated decision making is properly considered and recorded all decisions will be published on the Council's website.
- 4.11** Any changes to the licensing scheme of delegation will ensure fairness in decision making.
- 4.12** Council is asked to consider the proposed temporary changes to the scheme of delegation to facilitate in year changes to licensing policy and limited functions relating to taxi and private hire determinations where they are permitted in law, as set out in the tables included below.

**4.13 Part 3C - MISCELLANEOUS LICENSING SUB COMMITTEE**

Function	Current delegation	Proposed Delegation
<b>HACKNEY CARRIAGE AND PRIVATE HIRE</b>		
Determine an application for the grant, variation or renewal of driver or vehicle licence	Misc. Licensing Committee if a relevant objection is made	Licensing Team Leader  Before any decision is made in respect of any application falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C (Appendix 3 to this report), the Licensing Team Leader shall:-  (a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;

		<p>(b) consider all representations made by Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</p> <p>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</p>
Determine an application for the grant or variation of an operators' licence	Misc. Licensing Committee if a relevant objection is made	<p>Licensing Team Leader</p> <p>Before any decision is made in respect of any application falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C (Appendix 3 to this report), the Licensing Team Leader shall:-</p> <p>(a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;</p> <p>(b) consider all representations made by Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</p> <p>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</p>
Determine an application for the transfer of a vehicle licence	Misc. Licensing Committee if a relevant objection is made	<p>Licensing Team Leader</p> <p>Before any decision is made in respect of any applications falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C</p>



		<p>(Appendix 3 to this report), the Licensing Team Leader shall:-</p> <ul style="list-style-type: none"> <li>(a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;</li> <li>(b) consider all representations made by Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</li> <li>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</li> </ul>
Suspend or continue the suspension of a driver, vehicle or operator's licence	Misc. Licensing Committee	<p>Licensing Team Leader</p> <p>Before any decision is made in respect of any applications falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C (Appendix 3 to this report), the Licensing Team Leader shall:-</p> <ul style="list-style-type: none"> <li>(a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;</li> <li>(b) consider all representations made by Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</li> <li>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation</li> </ul>

		of the report referred to in (a) above
Revoke a driver, vehicle or operator licence	Misc. Licensing Committee if a relevant representation is made	<p>Licensing Team Leader</p> <p>Before any decision is made in respect of any decision falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C (Appendix 3 to this report), the Licensing Team Leader shall:-</p> <p>(a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;</p> <p>(b) consider all representations made by Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</p> <p>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</p>
Adopt and amend standard conditions for hackney carriage and private hire licences	Misc. Licensing Committee	<p>Licensing Team Leader</p> <p>Before any decision is made in respect of any decision falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C (Appendix 3 to this report), the Licensing Team Leader shall:-</p> <p>(a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;</p> <p>(b) consider all</p>

		<p>representations made by Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</p> <p>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</p>
<p><b>Miscellaneous Licensing Functions)</b>  <b>(excluding sex establishments)</b>  including Street trading, Street collections, House to house collections, Objects on the highway, , Caravan sites, Camping sites and moveable dwellings, Acupuncture, tattooing, ear-piercing and electrolysis, Game dealers, Scrapyards, Zoos, Dangerous wild animals)</p>		
<p>Determine any application for the grant, renewal, variation or transfer of a licence, consent, permit or permission</p>	<p>Misc. Licensing Committee If a relevant representation is made</p>	<p>Licensing Team Leader</p> <p>Before any decision is made in respect of any applications falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C (Appendix 3 to this report), the Licensing Team Leader shall:-</p> <p>(a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;</p> <p>(b) consider all representations made by</p>

		<p>Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</p> <p>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</p>
Revoke or withdraw any licence, consent, permit or permission	Misc. Licensing Committee if a relevant representation is made	<p>Licensing Team Leader</p> <p>Before any decision is made in respect of any decision falling within this paragraph under "Miscellaneous Licensing Sub Committee" within Table 2 of Part 3C (Appendix 3 to this report), the Licensing Team Leader shall:-</p> <p>(a) circulate to all Members of the Miscellaneous Licensing Sub Committee full report on the application including the decision which is proposed to be taken;</p> <p>(b) consider all representations made by Members of the Miscellaneous Licensing Sub Committee response to the report before determining the application</p> <p>(c) not take any decision on the application until the expiry of 5 clear working days from the circulation of the report referred to in (a) above</p>

## 5. Cheltenham Borough Council Constitution

- 5.1** This report relates only to decisions which would, according to the Council's Constitution, be taken by the full Council, Planning and Licensing Committees. All other decision making, including the urgency provisions within the Constitution, is unaffected by these proposals. Apart from those matters specifically set out in sections 3 and 4 above, the provisions within the Constitution, including the right

for the Proper Officer to call Extraordinary meetings of the Council at the request of the Mayor, Leader, Monitoring Officer, Directors etc, or on the requisition of 5 Members of the Council, remain in place.

### 6. Reasons for recommendations

- 6.1 To facilitate the continuity of decision making in the current COVID-19 emergency.
- 6.2 To ensure that the authority can continue to exercise its statutory planning and licensing functions.

### 7. Alternative options considered

- 7.1 Not making the changes which would impede continuity of decision making.

### 8. How this initiative contributes to the corporate plan

- 8.1 The recommendations as set out will enable the council to expedite efficient decision making that will enable it to continue to deliver the priorities as set out in the corporate plan

### 9. Consultation and feedback

- 9.1 The Mayor, Group Leaders, Chair of the Constitution Working Group, One Legal

### 10. Performance management –monitoring and review

- 10.1 There are no performance management issues arising from this report.

<b>Report author</b>	<b>Contact officers:</b> Beverly Thomas, Democratic Services Team Leader <a href="mailto:beverly.thomas@cheltenham.gov.uk">beverly.thomas@cheltenham.gov.uk</a>
<b>Appendices</b>	<ul style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Extract from Part 3D of the Constitution</li><li>3. Extract from Part 3C of the Constitution</li></ul>
<b>Background information</b>	<ul style="list-style-type: none"><li>1. <a href="#">Cheltenham Borough Council Constitution</a></li></ul>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	Failure to implement the temporary changes to the constitution would potentially leave the council in a position that it could not legally take important decisions	Chief Executive	20/03/20	4	4	16	reduce	Implement the proposed changes and carefully assess the implications of any decision taken with these powers	24/03/20	Chief Executive	March 2020
	Implementing the temporary changes to the constitution could reduce democratic accountability.	Chief Executive	20/03/20	5	2	10	accept	These changes will be only used as part of a national emergency. Careful consideration will be given to the impact on the community if they are used.	24/03/20	Chief Executive	March 2020
	Confusion over the interpretation of the temporary changes could lead to challenge.	Chief Executive	20/03/20	4	2	8	accept	Internal protocols are included to ensure that the use of the powers are in consultation with other officers or members.	24/03/20	Chief Executive	March 2020
<b>Explanatory notes</b> <b>Impact</b> – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) <b>Likelihood</b> – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) <b>Control</b> - Either: Reduce / Accept / Transfer to 3rd party / Close											





**Excerpt from Part 3D of the Constitution**

<b>Director of Planning</b>	
<b>Function</b>	<b>Condition</b>
Determine applications for: (a) full planning permission; (b) outline planning permission; (c) approval of reserved matters; (d) listed building consent; (e) conservation area consent; (f) advertisement control consent	Except as specifically allocated to Planning Committee under Part 3C Table 2
Determine planning applications relating to trees including (a) trees covered by Tree Preservation Orders: and (b) trees within Conservation Areas.	Except as specifically allocated to Planning Committee under Part 3C Table 2
Other actions and decisions (including enforcement, entry on to land and planning agreements) as local planning authority under the Town & Country Planning Act 1990, Planning (Listed Building & Conservation Area) Act 1990 and all planning related legislation	Except as specifically allocated to or by Council
Highway authority functions relating to on-street parking (as delegated to the Authority by the County Council)	
Authorise the stopping up or diversion of a highway, footpath or bridleway or extinguish public rights of way over land held for planning purposes <sup>1</sup>	
Extinguish public right of way over land acquired for clearance <sup>2</sup>	
Undertake functions relating to high hedges and protection of important hedgerows <sup>3</sup>	

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<sup>1</sup> ss 247, 257, 258 TCPA 1990

<sup>2</sup> s294 Housing Act 1981

<sup>3</sup> Part 8 Anti-Social Beh Act 2003 & Hedgerows Regs 1997

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## Extract from Part 3C of the Constitution

Table 2 (Functions of Committees)

<b>PLANNING COMMITTEE</b>	
<b>Function</b>	<b>Condition</b>
<p><b>Planning, etc. applications</b></p> <p>Determine an application for:</p> <ul style="list-style-type: none"> <li>(a) full planning permission;</li> <li>(b) outline planning permission;</li> <li>(c) approval of reserved matters;</li> <li>(d) listed building consent;</li> <li>(e) conservation area consent;</li> <li>(f) advertisement control consent</li> </ul>	<p>The power shall only be exercised where the application:</p> <ul style="list-style-type: none"> <li>(a) if granted, would be a departure from or would conflict with the development plan/local development framework or other planning policies adopted by the Council;</li> <li>(b) is for a proposal which an Officer intends to support and which has, prior to the expiry of the statutory consultation period, been objected to in writing by any local amenity organisation, any residents association or any statutory consultee; unless the Chairman and Vice Chairman consider that the objection is one which does not require Committee assessment;</li> <li>(c) is one in respect of which any Member has, prior to the expiry of the statutory consultation period, submitted a written request and explanation to the Director of Environment that it be determined by the Planning Committee;</li> <li>(d) is submitted by or on behalf of the Council or the Gloucestershire County Council;</li> <li>(e) is submitted by a Member, an Executive Director, Director or an existing employee of the Place and Economic Development Division;</li> <li>(f) is one which the Planning Committee has specifically required should be determined by the Committee; or</li> <li>(g) is one which the Director of</li> </ul>

	Environment considers should be determined by Planning Committee
<b>Trees</b> Determine planning applications relating to trees including (a) trees covered by Tree Preservation Orders: and (b) trees within Conservation Areas.	The power shall only be exercised in respect of an application: (a) submitted by a (i) a Member, (ii) a current employee of the Place and Economic Development of the Council or (iii) the Council or Gloucestershire County Council; (b) which a Member of the Council has, within the consultation period, requested should be determined by Planning Committee; or (c) which the Director of Environment considers should be determined by Planning Committee
<b>Planning Policy</b> Act as consultee to Cabinet/Lead Member on recommendations/responses for the adoption and review of local and national planning policy	Adoption of local planning policy is a Council function

<b>MISCELLANEOUS LICENSING SUB-COMMITTEE</b>	<b>(5 Members politically balanced)</b>
<b>Hackney Carriage and Private Hire</b>	
Determine an application for the grant variation or renewal of a driver or vehicle licence	If a relevant objection is made
Determine an application for the grant or variation of an operator's licence	If a relevant objection is made
Determine an application for the transfer of a vehicle licence	If a relevant objection is made
Suspend or continue the suspension of a driver, vehicle or operator's licence	Where an officer chooses not to exercise delegated power
Revoke a driver, vehicle or operator licence	If a relevant representation is made
Adopt and amend standard conditions for hackney carriage and private hire licences	
<b>Miscellaneous Licensing Functions) (excluding sex establishments)</b> including Street trading, Street collections, House to house collections, Objects on the highway, , Caravan sites, Camping sites and moveable dwellings, Acupuncture, tattooing, ear-piercing and electrolysis, Game dealers, Scrapyards, Zoos, Dangerous wild animals)	
Determine any application for the grant, renewal, variation or transfer of a licence, consent, permit or permission	If a relevant objection is made
Revoke or withdraw any licence, consent, permit or permission	If a relevant representation is made
<b>Sex establishments</b>	
Determine any application for the grant, renewal, variation or transfer of a licence, consent, permit or permission	If a relevant objection is made
Revoke or withdraw any licence, consent, permit or permission	If a relevant representation is made

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