



# CHELtenham

## BOROUGH COUNCIL

### Notice of a meeting of Cabinet

**Tuesday, 8 February 2011**

**6.00 pm**

**Pittville Room**

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

<b>Membership</b>	
<b>Councillors:</b>	Steve Jordan (Leader of the Council), John Rawson (Cabinet Member Built Environment), Klara Sudbury (Cabinet Member Housing and Safety), Andrew McKinlay (Cabinet Member Sport and Culture), John Webster (Cabinet Member Finance and Community Development), Roger Whyborn (Cabinet Member Sustainability) and Colin Hay (Cabinet Member Corporate Services)

### Agenda

#### SECTION 1 : PROCEDURAL MATTERS

- 1. APOLOGIES**
- 2. DECLARATIONS OF INTEREST** (Pages 1 - 2)
- 3. MINUTES OF THE LAST MEETING** (Pages 3 - 6)
- 4. PUBLIC QUESTIONS AND PETITIONS**  
None received.

#### SECTION 2 : THE COUNCIL

*There are no matters referred to the Cabinet by the Council on this occasion*

#### SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEES

*There are no matters referred to the Cabinet by Scrutiny Committees on this occasion*

#### SECTION 4 : OTHER COMMITTEES

*There are no matters referred to the Cabinet by other Committees on this occasion*

## **SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS**

- |  |                   |
|--|-------------------|
| <b>5. MARKETING BRIEF FOR DISPOSAL OF NORTH PLACE AND PORTLAND STREET</b><br>Report of the Cabinet Member Built Environment                                      | (Pages 7 - 50)    |
| <b>6. GLOUCESTERSHIRE WASTE CORE STRATEGY CONSULTATION</b><br>Report of the Leader   | (Pages 51 - 60)   |
| <b>7. FUTURE JOINT WORKING IN THE SOUTH WEST</b><br>Report of the Leader   | (Pages 61 - 84)   |
| <b>8. SECTION 25 REPORT</b><br>Report of the Chief Finance Officer   | (Pages 85 - 98)   |
| <b>9. FINAL GENERAL FUND BUDGET PROPOSALS 2011/12</b><br>Joint report of the Cabinet Member for Community Development and Finance and the Chief Finance Officer. | (Pages 99 - 192)  |
| <b>10. FINAL HRA BUDGET PROPOSALS FOR 2011/12</b><br>Joint report of the Cabinet Member for Community Development and Finance and the Chief Finance Officer.     | (Pages 193 - 208) |
| <b>11. TREASURY MANAGEMENT POLICY AND ANNUAL INVESTMENT STRATEGY 2011/12</b><br>Report of the Chief Finance Officer  | (Pages 209 - 234) |

## **SECTION 6 : BRIEFING SESSION**

- Leader and Cabinet Members

## **12. BRIEFING FROM CABINET MEMBERS**

## **SECTION 7 : DECISIONS OF CABINET MEMBERS AND OFFICERS**

Member decisions taken since the last Cabinet meeting

- 13. DECISIONS OF CABINET MEMBERS AND OFFICERS**  
- Decision of the Chief Finance Officer regarding the loan to the Everyman Theatre

## **SECTION 8 : ANY OTHER ITEM(S) THAT THE LEADER DETERMINES TO BE URGENT AND REQUIRES A DECISION**

## **SECTION 9 : LOCAL GOVERNMENT ACT 1972 - EXEMPT**

## BUSINESS

### 14. LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS

The Cabinet is recommended to approve the following resolution:-

“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)

Paragraph 7A: Information which is subject to any obligation of confidentiality

### 15. EXEMPT MINUTES

(Pages 235 - 236)

To approve the exempt minutes of the last meeting held on 18 January 2011.

**Contact Officer:** Rosalind Reeves, Democratic Services Manager, 01242 774937  
**Email:** [democratic.services@cheltenham.gov.uk](mailto:democratic.services@cheltenham.gov.uk)

## **Public Information**

### **Emergency Evacuation Procedure at the Municipal Offices**

- (i) In the event of a fire you will hear a continuous alarm.  
In the event of a bomb alert the alarm will sound in repeated short bursts.
- (ii) Members, officers and the public should leave the building promptly and in a quiet and orderly fashion using the nearest available escape routes and assemble on the Promenade footway by the War Memorial.

### **Attendance at Meetings - Local Government (Access to Information) Act 1985**

Meetings are open to the public and a limited amount of public seating is available. Copies of the agenda will also be available. You may be asked to leave the meeting if any "exempt" (confidential) business is considered. This will normally be shown on the agenda

### **Inspection of Papers - Local Government (Access to Information) Act 1985**

We can also arrange for copies of individual decision records, reports or minutes to be supplied. If you wish to inspect minutes or reports (other than those which are exempt) relating to any item on this agenda, please contact Democratic Services. The background papers listed in a report may also be inspected. Please notify Democratic Services who will arrange with the report author for papers to be made available to you at a mutually convenient time.

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## CHELTENHAM BOROUGH COUNCIL

### CABINET

DATE: .....

### DECLARATION OF INTEREST

**NAME** \_\_\_\_\_

You are asked to complete this form if you intend to declare an interest in connection with any item on this agenda.

Please hand any completed form to the committee administrator at the meeting.

You are reminded that you are still required to declare your interest orally at the commencement of the committee's consideration of the matter.

Agenda item	*Personal interest	*Prejudicial Personal interest	Nature of interest

\* The Council's Code of Members Conduct explains what is a 'Personal Interest' and a 'Prejudicial Interest'. The Code is set out in Part 5A of the Council's Constitution.

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## Cabinet

**Tuesday, 18th January, 2011  
6.00 - 6.27 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Steve Jordan (Leader of the Council), John Rawson (Cabinet Member Built Environment), Klara Sudbury (Cabinet Member Housing and Safety), Andrew McKinlay (Cabinet Member Sport and Culture), John Webster (Cabinet Member Finance and Community Development), Roger Whyborn (Cabinet Member Sustainability) and Colin Hay (Cabinet Member Corporate Services)

## Minutes

**1. APOLOGIES**

None

**2. DECLARATIONS OF INTEREST**

None declared.

**3. MINUTES OF THE LAST MEETING**

Resolved that the minutes of the last meeting held on 21 December 2010 be approved as a correct record subject to a clarification in the third paragraph of agenda item 5 that "car park income would fall by about £50,000 to £70,000 as a result."

**4. REVIEW OF THE COUNCIL'S CULTURAL INVESTMENT GRANTS**

In the absence of any member of the Social and Community Overview and Scrutiny Committee, Community Investment Grant Review Group, the Cabinet Member for Sport and Culture introduced the report. He explained that the council's three-year funded community investment grants were now in their final year of funding arrangement. A final review had been undertaken by this working group on behalf of the Social and Community Overview and Scrutiny Committee who had endorsed their findings and approved that the recommendations be forwarded to Cabinet.

The Cabinet Member considered that the report contained a fair summary of the key points and issues in section 2 and their conclusions were set out in section 3. He advised members that a three year programme had been agreed with the Everyman Theatre in 2010 which included decreasing the grant by £5,000 each

year. The Service Level Agreement (SLA) with Cheltenham Festivals was due to come to an end on 30 March 2011. The current SLA included financial arrangements but the draft budget currently out for consultation, did not include any financial contributions to the Festivals in 2011/2012. Negotiations regarding the new SLA were ongoing. Regarding MAD Young Peoples Council, no budget was being proposed for 2011/12. He concluded by commending overview and scrutiny for their work and felt confident in their conclusions.

The Cabinet Member Finance and Community Development provided some additional financial background to the three organisations. The Everyman Theatre had received a £250,000 cash investment from the council last year and the council had also facilitated a £1 million loan for the theatre's refurbishment programme subject to Heritage Lottery Funding which had since been agreed. The grant to the Everyman had already been reduced by £5,000 in 2010. The negotiations with the Cheltenham Festivals were more complicated as the organisation begins to separate itself from the council and also has to take account the support in kind which has been provided by the council for such things as legal and ICT support. Regarding MAD he confirmed that a full-time post within Cheltenham Borough Council to support the Young Peoples Council had been deleted two years ago. Since then the borough council had been funding a part time role through the county youth service but this contribution is now being cut as it is felt that the Youth Service could no longer support such a role in their reorganisation. However the council was working with the county council to reach agreement on the allocation of youth services funding to Cheltenham and there would be matched funding by Cheltenham Borough Council.

The Cabinet Member Corporate Services felt that the moves to make the Everyman Theatre and Cheltenham Festivals more independent had been successful and acknowledged that it was a challenge for both organisations. However he had every confidence that they would continue to be successful and in future would not have to depend on the vagaries of local government funding.

**Resolved that the funding to each of the named three organisations (Everyman Theatre, Cheltenham Festivals and MAD Young People's Council (GCC)) be as set out in the draft budget for 2011/12 which is currently subject to consultation.**

**5. PUBLIC QUESTIONS AND PETITIONS**

None.

**6. CABINET MEMBER BRIEFING SESSION**

**Cabinet Member Corporate Services**

He reported that he had had a very positive meeting with the management group of the four councils making up the GO programme. All councils were very keen to move the project forward and drive out savings whilst maintaining their levels of service. This was all very encouraging.



**Leader**

He advised that he had attended the inaugural meeting of the new county leadership group. This replaced the Gloucestershire Strategic Partnership, the Accountable Bodies Group and the Chief Executives' group. All County and district leaders were represented as well as the chair of the PCT and the Police Authority. The Leader had been selected to lead a group on the countywide management of assets and the Leader from Stroud was leading a group looking at the links with the voluntary sector.

**7. LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS**

Resolved that in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining items of business 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 and 7A, 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)

Paragraph 7A; Information which is subject to any obligation of confidentiality

**8. CONTRACT AUTHORISATION**

After excluding the press and public the Leader explained that this item was the subject of a confidentiality agreement which had been signed by the council. Any officers and members present who stayed for this item would also be covered by this confidentiality agreement.

The Cabinet Member for Sport and Culture introduced the report which had been circulated with the exempt papers for the meeting. Supporting information was provided by the Chief Executive. Cabinet considered the report and agreed the recommendations in it.

**Chairman**

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## Cheltenham Borough Council Cabinet – 8<sup>th</sup> February, 2011

### Adoption of bidder evaluation matrix in relation to proposed land disposal at North Place and Portland Street

#### Report of the Cabinet Member Built Environment

<b>Accountable member</b>	<b>Cabinet member Built Environment, Councillor John Rawson</b>
<b>Accountable officer</b>	<b>Assistant Director Built Environment, Mike Redman</b>
<b>Accountable scrutiny committee</b>	<b>Environment</b>
<b>Ward(s) affected</b>	<b>St Paul's</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	This report seek Cabinet approval for the proposed bidder evaluation matrix relating to the proposed disposal for mixed use development of the North Place and Portland Street sites (the 'Sites'), currently used for surface car parking.
<b>Recommendation</b>	That Cabinet: <ol style="list-style-type: none"> <li>1.1 delegates authority to the Head of Property and Asset Management in consultation with Cabinet Member for Built Environment to enter into competitive dialogue with bidders to dispose of the Sites, whether in whole or in part, acknowledging that disposal could be by way of a freehold transfer, leasehold disposal or a mixed freehold and leasehold disposal. The final structure of the proposed disposal to be determined by dialogue procedure and the evaluation methodology referred to below;</li> <li>1.2 delegates authority to the Head of Property and Asset Management in consultation with Cabinet Member for Built Environment to select the developer in accordance with the evaluation methodology, as set out at Appendix 2 below;</li> <li>1.3 delegates authority to the Assistant Director Built Environment in consultation with the Cabinet Member for Built Environment to finalise the Evaluation Criteria before sending them out to the final 5 bidders.</li> </ol>

<p><b>Financial implications</b></p>	<p>The council is looking to the development of the site to provide a net capital receipt to support the pump priming of public realm improvements across the town. The scoring criteria allows for this important element in the list of outcomes to be measured.</p> <p><b>Contact officer: Mark Sheldon, Chief Finance Officer , mark.sheldon@cheltenham.gov.uk, 01242 264123</b></p>
<p><b>Legal implications</b></p>	<p>The EU Competitive Dialogue procedure is set out in the Public Contracts Regulations 2006 and involves a staged process of assessment as follows:</p> <ul style="list-style-type: none"> <li>• Pre-qualification selection process;</li> <li>• Invitation to short listed candidates to participate in a dialogue process during which aspects of the project will be discussed and solutions developed;</li> <li>• Dialogue continues until a limited number of solutions, say 2, are identified as capable of satisfying the council’s requirements;</li> <li>• Dialogue closed and final tenders invited.</li> </ul> <p>In view of the expense incurred by tenderers during this process, as well as the intensity of discussions once the dialogue commences, it is essential that the lead officer has the necessary delegated authority to enter into dialogue and to discuss solutions with bidders. Members are asked to approve the various options relating to the disposal of the Sites as set out in the recommendations and the evaluation methodology, so that the competitive dialogue process may commence with the necessary certainty it requires to be effective within the timescales set for the process.</p> <p><b>Contact officer: Shirin Wotherspoon, Solicitor shirin.wotherspoon@tewkesbury.gov.uk, 01684 272017</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>None arising directly from this report.</p> <p><b>Contact officer: Julie McCarthy, HR Operation Manager julie.mccarthy@cheltenham.gov.uk, Ext 4355</b></p>
<p><b>Key risks</b></p>	<p>CR32 - If the council is unable to realise the capital value of some of its assets it will be unable to progress the civic pride proposals – current risk rating 12.</p> <p>It is essential that the Council follows due process in disposing of the site to eliminate legal, financial and reputational risks that might otherwise arise.</p>

<p><b>Corporate and community plan implications</b></p>	<p>The development of the North Place and Portland Street sites will contribute to the following community and corporate plan objectives:-</p> <ul style="list-style-type: none"> <li>• enhancing and protecting our environment;</li> <li>• strengthening our economy;</li> <li>• strengthening our communities.</li> </ul> <p>In addition to the direct benefits arising from the development of this site, its sale should generate a substantial receipt that it is proposed will be reinvested in town centre infrastructure improvements.</p>
<p><b>Environmental and climate change implications</b></p>	<p>None relating directly from this report.</p>

## 1. Background

- 1.1** Following public consultation the revised Development Brief and Supplementary Planning Document (SPD) relating to the North Place and Portland Street sites was formally adopted by the Council on 13<sup>th</sup> December, 2010, as an SPD and technical appendix and this now forms an integral part of Cheltenham's Local Development Framework (LDF).
- 1.2** The SPD provides the context for the marketing of the North Place and Portland Street development sites which has commenced (see para 1.3. below). Additional preparatory tasks have now also been completed including: the conclusion of the archaeological investigation works recently undertaken; the production of a Planning Policy Statement 5 assessment concerning historical context and the appointment of professional advisers.
- 1.3** Officers commenced marketing of the sites on 24th January 2011, by placing the notice for disposal and associated works in the OJEU (Official Journal of the European Union). An advert was placed in the Estates Gazette and advertising boards have been erected on the sites. The selection of the preferred developer needs to follow the requirements of the EU procurement rules. The timetable should allow for the identification of a preferred bidder to develop the sites by late autumn 2011.

## 2. Reasons for recommendations

- 2.1** The adoption of an evaluation matrix is essential in selecting prospective developers of the site for the following reasons:-
- To provide a consistent and fair selection methodology;
  - To ensure transparency in relation to the criteria applied;
  - To minimise legal, financial and reputational risks to the Council;
  - To maximise the likelihood of a successful development of the site that meets the Council's aspirations for this important town centre location.
- 2.2** It is also essential to give officers the necessary delegated authority to enter into formal competitive dialogue with bidders and to select the preferred developer(s) in accordance with the evaluation methodology. Briefing notes will be submitted to members as the dialogue progresses.

## 3. Alternative options considered

3.1 None applicable.

**4. Consultation and feedback**

4.1 The selection criteria and scoring matrix have been the subject of consultation with key officers internally, One Legal, the Cheltenham Development Task Force and our appointed property advisors.

**5. Performance management – monitoring and review**

5.1 Officers will report back to Cabinet in due course with a recommendation regarding the preferred bidder.

<b>Report author</b>	<b>Contact officer: Mike Redman, Assistant Director Built Environment, mike.redman@cheltenham.gov.uk, Ext 4160  01242 264160</b>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Proposed bidder evaluation criteria and scoring matrix</li> <li>3. Bidder Introductory Information Pack and Pre Qualification Questionnaire – for information only</li> </ol>
<b>Background information</b>	Report to Council on 13 <sup>th</sup> December, 2010 entitled 'Review Of North Place & Portland Street Development Brief & Civic Pride Urban Design Framework'

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
CR32	If the council is unable to realise the capital value of some of its assets it will be unable to progress the civic pride proposals	GL	23/08/10	4	3	12	Reduce	SPD consultation completed and approval by Council in December.  OJEU process to commence January 2011.  Other asset disposal progressing as planned.		Strategic director  Grahame Lewis	Yes

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**APPENDIX 3**

**3.1 INTRODUCTORY INFORMATION PACK**

**3.2 PUBLIC WORKS CONCESSION CONTRACT - PRE-QUALIFICATION  
QUESTIONNAIRE**



# ***Cheltenham***

## ***North Place & Portland Street Development Site***

**Introductory Information Pack**

**OJEU January 2011**



**Content:-**

1. Background
2. Cheltenham Development task Force
3. The development Site
4. Planning Context
5. Development Context
6. Procurement process

## 1. Background

- 1.1 Cheltenham is renowned for its Regency architecture, the extent of its gardens and green space, festivals and its internationally acclaimed National Hunt racecourse.
- 1.2 Cheltenham has continued to trade successfully despite the current economic difficulties and the County boasts an unemployment level of 2.7% against a South West regional average of 7.4% portraying the resilience of both the County and key strategic towns such as Cheltenham.
- 1.3 Cheltenham Borough Council (“CBC”) as owners of the North Place and Portland Street site currently utilised as surface car parks are keen to promote its development for a range of uses.
- 1.4 This is the only site of this scale available in the town centre of Cheltenham and represents a unique opportunity to create a striking contemporary northern extension to Cheltenham’s historic core through the development of a mixed use scheme that assists in connecting key areas of the town whilst at the same time building upon the Regency heritage.

## 2. Cheltenham Development Task Force

- 2.1 For several years Cheltenham Borough Council has been pursuing an urban development strategy entitled Civic Pride. In order to progress schemes from the planning stage to actual delivery CBC and its partners Gloucestershire County Council, the South West Regional Development Agency and the Homes & Communities Agency agreed to set up an arms length Task Force under an independent chair.
- 2.2 The Cheltenham Development Task Force came into fruition in January 2010 and has been undertaking preparatory work on some of the key sites identified in its central area ambition. The Task Force is now progressing development schemes and wider town centre ambitions on behalf of CBC utilising assets owned by CBC.
- 2.3 Any capital receipts generated through disposals will (subject to Council ratification) be deployed to deliver the wider aims such as public realm improvements in other schemes.





### The Central Area Ambition

The starting point for this work has been to understand the historic street pattern which in its simplest form can be shown as two axes (see diagram below): the East-West medieval High Street and the North-South Regency Promenade which intersect at Boots Corner.



Over the years, the clarity of these has either been degraded or lost. An example is the green space from Montpellier to Pittville that effectively disappears north of Boots Corner and it is then a challenge to find any grass or trees until Pittville Park. As a result of this and high levels of traffic movement the quality of the streets and environment surrounding Boots Corner is of a lower quality.

Our aim is to link all the areas located on the map to bring together Cheltenham's character and history with the Town's modern needs.

The result will be a high quality urban environment for the people of Cheltenham, and its many visitors.



## OPPORTUNITIES & CHALLENGES



**MAP KEY:**

- High Street
- Promenade Link
- Key Sites - CBC owned
- Streets & Spaces
- Existing Green Space
- Central Area Outline

**Link Opportunities**

1 to 3 Key Sites & Connections (see overleaf)

(This map is indicative only)

### Cheltenham Development Task Force

The purpose of the task force is to bring together the private, public and voluntary sectors in partnership as the way to progress the challenges and opportunities presented.

It is important that developers and investors view Cheltenham as an exciting opportunity so that this collaborative approach can work. The strategy of the task force will be to promote Cheltenham Borough Council owned sites for inward investment for the benefit of the whole town by supporting our economy and communities. For this reason the task force has brought together volunteer specialists from the private, public and voluntary sectors who all have a shared passion for the town. Together we have a range of skills from property development to sustainability, heritage to community engagement and we are confident that we can help the town on its journey.

The remit of the Task Force is to consider specific issues or sites and recommend action to Cheltenham Borough and Gloucestershire County Council. The Task Force is a new resource bringing with it the capacity to help deliver the ambitions.

Supporting the Task Force are a number of groups in key fields. These include a transport group with specific expertise from Gloucestershire Highways; a Public Realm group to improve the quality of streets; and a group focused on development, planning and property.

Further information on this project can be found at:  
[www.cheltenham.gov.uk/civicpride](http://www.cheltenham.gov.uk/civicpride)

PRODUCED BY MAPLE ROCK DESIGN LTD  
 Final design and concept by MAPLE ROCK  
 with general assistance for support from Gloucestershire Media Group

### What is Our Vision?

This leaflet shows the central area that is the focus for the Cheltenham Development Task Force. It includes much of the work done previously, that was the subject of extensive public consultation in 2008. The leaflet also reflects changes in the national economy.

Its purpose is to map the areas and highlight the main challenges and opportunities within the central area in one leaflet. Further details on either specific sites, for example Boots Corner, or specific objectives, for example sustainability, will follow.

The aim is to keep all those things that make Cheltenham unique but at the same time recognise that in many parts of the town the links between important areas are often of poor quality.

The vision is to support the town's economic strength and sustainable development by revitalising key streets and spaces to the highest attainable quality for the benefit of the whole community.



## OUR PLANS FOR CHELTENHAM

**OUR AIMS**

To improve the town centre sites and streets to support the town's economy.

**Key concepts include:** greening the central area and creating a north-south green link; creating a strong identity for its quarters; improving streets and spaces; building sustainably; developing green transport; and; introducing public art.

**Greening the Promenade**

- Extend Promenade to Montpellier and Pittville.
- Green north to south: trees, planting, green walk.
- Improve and create new public spaces.
- Reduce traffic dominance.

**Quarters**

- Identify distinct role and character of quarters.
- Enhance their unique identity.
- Improve public art and surface materials.
- Be consistent in terms of design.

**Streets & Spaces**

- Create attractive public realm.
- Encourage pedestrians & cyclists.
- Reduce vehicle dominance.
- Encourage social use.

**OUR SITES**

To make best use of council owned sites and encourage private developers to deliver imaginative schemes that add value to the town. Deliver sustainable mixed-use developments that revitalise brownfield land.

Create additional employment and housing opportunities and make high quality town centre spaces.

**Royal Well**



- Remove through traffic.
- Simplify bus use and movement access.
- Create high quality public space and link to the Promenade.

**Portland St. / North Pl.**



- New public space as part of improved linkages.
- Develop links through and around the area.
- Retain about 300 car park spaces.
- Provide 150 jobs.

**Haines & Strange**



- To work with developers and the community.
- Encourage high quality sustainable schemes where deliverable.

**MAKING LINKS**

Create links between the different town centre areas.

The links will promote high quality physical connections between existing and new development areas with environments for passing through, for relaxing and enjoying the space or both.

**Boot's Corner**



- Reduce through traffic.
- Revitalise Boots Corner as a pleasant public space.
- Connect east-west and north-south routes.

**The Brewery**



- Making it easier to walk from the Brewery to the High Street.
- Link the Brewery to other sites.

**Ring Road**



- Create pleasant pedestrian environments.
- Improve pedestrian linkages.
- Introduce cabined crossing places.
- Make it a greener space which you can enjoy.

**Improve our transport**

- Promote sustainable travel: walking, cycling and bus.
- Simplify car parking arrangements and improve the signage and access.
- Reduce town centre traffic movement.
- Minimise vehicle impact and enhance pedestrian priority.

**Support our economy**

- Retain and grow existing employment levels and maximise local employment and training opportunities.
- Enhance retail offer and revitalise neighbourhood shopping zones.
- Promote hotel provision and support the festivals programme.

**Support our communities**

- Promote sustainable housing development.
- Support local community needs.
- Enhance public spaces for community use and improved quality of life.

**Protect our environment**

- Strengthen existing green space and biodiversity.
- Create green streets and spaces.
- Foster sustainable development.



**Cheltenham Development Task Force**  
 making things happen

Municipal Offices  
 Promenade  
 Cheltenham GL51 9SA  
 t: 01452 264238  
 e: [bulletin@developmenttaskforce.cheltenham.gov.uk](mailto:bulletin@developmenttaskforce.cheltenham.gov.uk)  
 w: [www.cheltenham.gov.uk/developmenttaskforce](http://www.cheltenham.gov.uk/developmenttaskforce)

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### 3. The development Site

- 3.1 The site extends to approximately 2.06 hectares (5.075 acres) and is located 250 metres North of the High Street and connects the retail centre to both Pittville (and its extensive park) and the Brewery (leisure dominated) complex
- 3.2 The site consists of two extensive surface car parks owned and operated by Cheltenham Borough Council. There is an additional parcel of land situated to the South of Portland Street car park owned by Gloucestershire County Council which is also available.



- 3.3 North Place was formerly the site of the Black & White Bus Depot whilst Portland Street was predominantly Victorian residential. Both uses were extinguished by the 1980's with wholesale demolition taking place.
- 3.4 The successful bidder is expected to purchase an interest in, and deliver a solution for, the whole site. Solutions may be put forward on the basis of acquiring a freehold or long leasehold interest in the whole site (or a mixture of freehold and leasehold interests covering the whole site) subject to paragraph 3.5 below. The Council is also interested in exploring as part of the dialogue process, solutions where an interest in the developed assets in relation to the car park solution, bus node and/or public spaces is then returned to the

Council; or alternatively, such assets being retained, maintained and operated by the developer for the benefit of the Council and the public.

- 3.5 The Council currently has the benefit of income from the car parks and solutions are expected to retain similar (albeit reduced) financial benefits or opportunities. As a consequence the Council will only transfer a leasehold interest should the developer wish to operate the car park solution.

### **4. Planning Context**

- 4.1 The sites have been the subject of a supplementary planning document (SPD) as part of the earlier Civic Pride Urban Design Framework and also a detailed technical appendix: North Place and Portland Street Development Brief. These were revised in 2010 and subject to further public consultation and Cheltenham Borough Council adoption processes.

[http://www.cheltenham.gov.uk/site/scripts/download\\_info.php?fileID=1924](http://www.cheltenham.gov.uk/site/scripts/download_info.php?fileID=1924)

- 4.2 The developer finally selected will be expected to make a formal application to the local planning authority in line with this brief and will be subject to the usual statutory development control procedures.
- 4.3 It is a requirement that the successful developer not only progresses a planning application but also commences and delivers the development once planning has been secured.

### **5. Development Context**

- 5.1 Significant research has been undertaken to understand the potential deliverables. These include:-

- A ground condition report
- A PPS5 statement on historical context
- A desk based archaeological assessment supported by a significant archaeological evaluation
- An analysis of legal title
- Initial investigations into utilities.

- 5.2 All of these documents have been included within the Technical information Pack and will be issued to the

organisations shortlisted to partake in the competitive dialogue Outline Solutions stage.

5.3 Please note that the information provided in this document is of an indicative nature only as some details of the requirement have yet to be finalised by the CBC. Further details of the final requirement will be provided to shortlisted bidders that are invited to the dialogue stage of the procurement. CBC reserves the right to vary and amend the scope and scale of the requirements that will be used as the basis of the competition.

5.4 None of the CBC, its advisors, the directors, officers, members, partners, employees or agents:-

5.4.1 makes any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information in this document. Any persons considering making a decision to submit a bid should make their own investigations and their own independent assessment of the CBC and its requirements for the development opportunity and should seek their own professional financial and legal advice;

5.4.2 accepts any responsibility for the information contained in the information in this document or for its fairness, accuracy or completeness. Nor shall any of them be liable for any loss or damage (other than in respect of fraudulent misrepresentation) arising as a result of reliance on such information or any subsequent communication.

## **6. Procurement Process**

6.1 Selecting a development partner to work with Cheltenham Borough Council to deliver the right scheme will be undertaken in three main stages.

6.2 Stage One will involve the advertising of the opportunity through OJEU and selected media with an invitation for interested parties to submit a Pre-Qualification Questionnaire (PQQ's) to GVA as agents of CBC.

6.3 Upon receipt of PQQ's within the defined timescale CBC and its partners and advisers will shortlist up to a maximum of 5 bidders with the financial resources and expertise in delivering this type of development.

6.4 Stage Two will involve an invitation to participate in an open dialogue for five shortlisted bidders.

6.5 Stage Three will involve the final two shortlisted bidders being invited to develop detailed solutions and submit final tenders. It

is anticipated that a negotiated dialogue will ultimately result in the identification of a preferred developer.

- 6.6 The proposed timetable is set out as below. This is an indicative timetable and the CBC reserves the right to amend and vary the timetable. CBC and will update bidders as to any revisions accordingly.

<b>Stage 1</b>	
<b>Advertisement and Pre-qualification</b>	
<ul style="list-style-type: none"> <li>• Issue OJEU notice</li> <li>• PQQ, brochure and introductory information pack made available by GVA to potential bidders</li> </ul>	24/01/11
<ul style="list-style-type: none"> <li>• Advertise the opportunity through various media</li> </ul>	29/01/11
<ul style="list-style-type: none"> <li>• Deadline for return of PQQ to GVA</li> </ul>	14/03/11
<ul style="list-style-type: none"> <li>• CBC/GVA evaluates PQQ returns in order for CBC to shortlist up to <b>five</b> bidders to participate in competitive dialogue</li> </ul>	15/03/11 to 05/04/11
<ul style="list-style-type: none"> <li>• Report to Cheltenham Development Task Force by consultants confirming that process and due diligence observed</li> </ul>	08/04/11
<ul style="list-style-type: none"> <li>• Briefing Note to CBC Cabinet</li> </ul>	19/04/11
<b>Stage 2</b>	
<b>Competitive Dialogue – Outline Solutions – 5 bidders</b>	
<ul style="list-style-type: none"> <li>• <b>Five</b> shortlisted bidders announced by CBC and GVA issues Invitation to Participate in Dialogue and submit Outline Solutions (with evaluation criteria and methodology, specification requirements, contract details and further information in the Technical Information Pack))</li> </ul>	19/04/11
<ul style="list-style-type: none"> <li>• Bidders Day at Municipal Offices</li> </ul>	03/05/11

<ul style="list-style-type: none"> <li>• Opportunity for formal pre-application discussions with planning team</li> </ul>	04/05/11 – 25/05/11
<ul style="list-style-type: none"> <li>• Initial meetings with each bidder to discuss Draft Outline Solution approach and proposals</li> </ul>	04/05/11 – 25/05/11
<ul style="list-style-type: none"> <li>• Presentations by bidders of Draft Outline Solution to CBC and dialogue feedback from CBC</li> </ul>	26/05/11 & 27/05/11
<ul style="list-style-type: none"> <li>• Deadline for bidders submission of Outline Solutions</li> </ul>	01/07/11
<ul style="list-style-type: none"> <li>• CBC/GVA evaluates submitted Outline Solutions in order for CBC to shortlist <b>two</b> bidders to participate in competitive dialogue to develop Detailed Solutions</li> </ul>	
<ul style="list-style-type: none"> <li>• Interim report to Cheltenham Development Task Force</li> </ul>	15/07/11
<ul style="list-style-type: none"> <li>• Briefing Note to CBC Cabinet</li> </ul>	26/07/11
<p><b>Stage 3</b></p> <p><b>Competitive Dialogue – Detailed Solutions to Final Tenders – 2 bidders</b></p>	
<ul style="list-style-type: none"> <li>• <b>Final two</b> shortlisted bidders announced by CBC and GVA issues invitation to submit Detailed Solutions together with details of the Invitation to Submit Final Tenders At this stage unsuccessful bidders will be advised and debriefed.</li> </ul>	26/07/11
<ul style="list-style-type: none"> <li>• Period of dialogue meetings with final two bidders for Council to: <ul style="list-style-type: none"> <li>○ provide feedback on Outline Solutions</li> <li>○ negotiate contract terms</li> <li>○ engage with bidders in their development of Detailed Solutions</li> </ul> </li> </ul>	27/7/11 – 29/07/11 01/08/11 – 08/09/11
<ul style="list-style-type: none"> <li>• Bidders partake in public consultation exercise with CBC</li> </ul>	22/08/11 – 09/09/11
<ul style="list-style-type: none"> <li>• Bidders submission of Detailed Solution (draft bids)</li> </ul>	09/09/11
<ul style="list-style-type: none"> <li>• Invitation to Submit Final Tenders issued to final two bidders</li> </ul>	12/09/11
<p>Period of further dialogue meetings with final two bidders for Council to:</p> <ul style="list-style-type: none"> <li>○ provide feedback and engagement on Detailed Solutions (draft bids)</li> <li>○ test bidder's assumption and deliverability of Detailed Solutions (draft</li> </ul>	12/09/11 to 22/09/11

<ul style="list-style-type: none"> <li>○ negotiate any remaining contract details</li> </ul>	
<ul style="list-style-type: none"> <li>• Close of Dialogue</li> </ul>	End of 23/09/11
<ul style="list-style-type: none"> <li>• Deadline for submission of Final Tender</li> </ul>	30/09/11
<ul style="list-style-type: none"> <li>• Clarification and Fine Tuning of Final Tender Submissions</li> <li>• Evaluation of Final Tender submissions by CBC/GVA to enable CBC to identify the Preferred Bidder</li> </ul>	3/10/11 to 12/10/11
<ul style="list-style-type: none"> <li>• Report to Cheltenham Development Task Force</li> </ul>	14/10/11
<ul style="list-style-type: none"> <li>• Recommendation of the Preferred Bidder to CBC Cabinet and CBC approval process</li> </ul>	15/11/11
<b>Stage 4 – Preferred Bidder and Award Decision</b>	
<ul style="list-style-type: none"> <li>• Appointment of the Preferred Bidder</li> </ul>	16/11/11
<ul style="list-style-type: none"> <li>• Clarifying preferred bidders tender, confirming commitments and finalising contract details with the preferred bidder</li> </ul>	16/11/11 to early January 2012
<ul style="list-style-type: none"> <li>• Award Decision by CBC and Financial Close</li> </ul>	February 2012

5.5 If you wish to be considered please submit your PQQ by 14/03/11 to GVA in accordance with the requirements set out in the PQQ document.

5.6 Any queries please contact GVA.

**Cheltenham Borough Council (“the Authority”)**

**North Place & Portland Street Development**

**Public Works Concession Contract**

**PRE-QUALIFICATION QUESTIONNAIRE**

This pre-qualification questionnaire (“PQQ”) is divided into two parts:

- **Part 1 provides information about the procurement process for the award of the contract by the Authority and in particular the pre-qualification process and evaluation.**
- **Part 2 sets out (in the form of a questionnaire, statement and checklist) the information which Candidates must submit to the Authority.**

<b>Glossary of Terms</b>	
Candidate	The bidder (or potential bidder) applying to compete for the award of the contract. A Candidate may be (i) an individual organisation or (ii) a Consortium.
Consortium	A group of organisations coming together to form a bidding entity (which may include partners and/or a lead contractor with sub-contractors).
Consortium Member	A member organisation of a Consortium.
Lead Organisation	The lead organisation of a Consortium that is expected to enter into the contract with the Authority and co-ordinate bid responses from Consortium Members.

Please note the Authority reserves the right to require groupings of contractors to take a particular legal form or to require a single contractor to take primary liability or to require that each party undertakes joint and several liability in the award and performance of the contract.



## PART 1

### 1 Overview of the Document and Procurement Process

- 1.1 The Authority is seeking to appoint a contractor to award a contract for the development of the site at North Place and Portland Street. Further details of the opportunity are provided in the *Introductory Information Pack* accompanying this PQQ.
- 1.2 The Authority is running this process under the EU Procurement Rules to award a development contract (as a Public Works Concession Contract) in accordance with the Public Contracts Regulations 2006 (“the Regulations”). Many of the provisions of the Regulations do not apply to the award of a Public Works Concession Contract. However, the Authority intends to conduct a competition similar to that of the *competitive dialogue procedure* described in the Regulations in order to identify the most economically advantageous tender for its requirement. However, since the Authority is not bound by many of the formalities of the Regulations it reserves the right to use such flexibilities in this procurement process.
- 1.3 Part 1 of this document sets out background information about the process that the Authority will be using.
- 1.4 This document has been produced to enable the Authority to obtain information from potential bidders about (i) their economic and financial standing; and (ii) their technical and/or professional ability to perform the proposed contract.
- 1.5 Part 2 of this PQQ includes a questionnaire that asks for financial and technical information from you. The financial information which we are asking you to provide allows the Authority to be satisfied that a Candidate has adequate financial and other resources and will be in a position to continue to deliver the services throughout the contract period. The technical information allows the Authority to assess whether a Candidate has the relevant skills and experience to be capable of performing the proposed contract to meet the Authority’s needs.
- 1.6 Part 2 contains a statement relating to good standing which you are required to sign confirming that you are:
  - 1.6.1 not guilty of committing certain specified offences which would make you ineligible to tender; and
  - 1.6.2 various listed circumstances which could result in your exclusion from the process do not apply to you.
- 1.7 In addition, Part 2 contains a checklist for you to use to check that you have included the correct information and which you should complete and return with the pre-qualification questionnaire responses and the statement.
- 1.8 The Authority will review the responses provided by Candidates and evaluate those responses that comply with the requirements of this PQQ using the selection stage criteria and weightings in the Selection Evaluation Matrix set out at Part 1 of this document below.

- 1.9 Following this evaluation exercise, the Authority will draw up a shortlist of up to **five** Candidates that will be invited to tender. The Authority will issue an Invitation to Tender document ("ITT") to those short-listed Candidates.
- 1.10 Following the receipt of the tenders from the shortlisted Candidates, the Authority intends to evaluate the tenders received and appoint the contractor offering the most economically advantageous tender.

## **2 The Procurement Timetable**

- 2.1 The Authority is using a process similar to the competitive dialogue procedure under the Public Contracts Regulations 2006 for the appointment of a contractor for the contract.
- 2.2 The main stages of the procurement process and the timetable are detailed in the *Introductory Information Pack* accompanying this PQQ.
- 2.3 The Authority reserves the right to vary and update this timetable at any time and will notify the relevant Candidates if it decides to do so.

## **3 Enquiries and Further Information**

- 3.1 All queries in relation to this pre-qualification process must be made in writing and submitted by e-mail for the attention of James Petherick at: james.petherick@gva.co.uk to be received by the Authority (through GVA) no later than 5pm 25 February 2011.

The Council has appointed GVA as its agents to co-ordinate the pre-qualification exercise.

- 3.2 The Authority intends to copy both the query raised and the Authority's responses to all Candidates except where in its opinion the response relates to information that is commercially confidential.
- 3.3 Any queries arising from this PQQ document that may have a bearing on the PQQ responses to be made should be raised.

## **4 Right to Reject and/or Disqualify**

- 4.1 The Authority reserves the right to reject or disqualify a Candidate where:
  - 4.1.1 the PQQ submission response, statement and checklist are submitted late, is completed incorrectly, is incomplete or fails to meet the Authority's submission requirements which have been notified to Candidates;
  - 4.1.2 the Candidate must or may be excluded under Article 45 of Directive 2004/18/EC at any stage during the pre-qualification selection and evaluation process or the subsequent tender evaluation process (see section 3 below in relation to the *Statement of Good Standing*);

- 4.1.3 the Candidate is guilty of serious misrepresentation in relation to its pre-qualification application, tender submissions, and/or its conduct in the procurement process; or
- 4.1.4 there is a change in identity, control, financial standing or other factor impacting on the selection and/or evaluation process affecting the Candidate.

4.2 Please note that following the submission of PQQ submission responses by Candidates, Candidates continuing in the competition process are required to immediately notify the Authority of any changes (or foreseeable potential changes) to the PQQ submission responses (including the *Statement of Good Standing*) information submitted.

## 5 Canvassing and Non-Collusion

- 5.1 Except as specifically authorised by the Authority, Candidates shall not approach or canvass the Authority with a view to providing information in respect of any part of their PQQ submission or attempting to support or enhance their prospects of being selected to be invited to submit a tender.
- 5.2 Any collusion between Candidates, combining of Candidates or transfer of any key partner, adviser or Consortium Member from one Candidate to another may lead to the exclusion of the Candidate(s) involved at the discretion of the Authority.
- 5.3 Candidates must not collude with their approach or share information with any other Candidate in the preparation of their PQQ submissions with a view to enhancing their or such other Candidates' prospect of being selected to be invited to submit a tender in relation to the proposed contract (or as such on any other contract, project, scheme or opportunity).

## 6 Right to Cancel or Vary the Process

- 6.1 The Authority reserves the right to:
  - 6.1.1 cancel the selection and evaluation process at any time; and/or
  - 6.1.2 require a Candidate to clarify its submission in writing and/or provide additional information (failure to respond adequately may result in the Candidate not qualifying); and/ or
  - 6.1.3 vary or change all or any part of the procedures or requirements for this procurement process at any time.
- 6.2 The publication of the PQQ document in no way commits the Authority to award any contract and the Authority reserves the right not to proceed with the procurement process at any time.

## 7 Costs and Expenses

- 7.1 All Candidates are solely responsible for their costs and expenses incurred in connection with participating in all stages of the procurement process including (but

not limited to) the preparation and submission of the PQQ responses and tenders. Under no circumstances will the Authority (or any of its advisors) be liable for any costs or expenses borne by the Candidate (or any of its advisors) in this process.

## 8 The Pre-qualification Questionnaire

- 8.1 The PQQ (and supporting information) has been prepared by the Authority for the purpose of providing an application procedure for individuals or organisations interested in tendering for these services and to assist Candidates in making their own evaluation of the potential opportunity.
- 8.2 Whilst prepared in good faith, the PQQ (and supporting information) is intended only as a preliminary background explanation of the Authority's activities and plans and is not intended to form the basis of any decision on whether to enter into any contractual relationship with the Authority. The PQQ (and the accompanying *Introductory Information Pack*) does not purport to be all-inclusive or to contain all of the information that a potential Candidate may require.
- 8.3 Any persons considering making a decision to participating in this procurement competition process with the Authority following receipt of the PQQ (and supporting information) with a view of entering into a contract with the Authority if successful should make their own investigations and their own independent assessment of the Authority and its requirements for the development opportunity and should seek their own independent professional financial and legal advice.
- 8.4 Neither the Authority nor its advisors, directors, officers, members, partners, employees, other staff, agents (or advisors of any such body or person):
- 8.4.1 makes any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the PQQ (and supporting information);
  - 8.4.2 accepts any responsibility for the information contained in the PQQ (and supporting information) or for its fairness, accuracy or completeness;
  - 8.4.3 shall be liable for any loss or damage (other than in respect of fraudulent misrepresentation) arising as a result of reliance on such information or any subsequent communication.
- 8.5 Only the express terms of any written contract relating to the subject matter of the contract as and when it is executed shall have any contractual effect in connection with the matters to which it relates. English law will govern any such contract.
- 8.6 Nothing in the PQQ (or other procurement and contract documents) is, or should be, relied upon as a promissory or a representation as to Authority's ultimate decisions in relation to the scope of services which may be awarded by the Authority at the conclusion of the procedure.

## 9 Confidentiality

- 9.1 The information in the PQQ and any associated documents is made available on condition that it is treated as confidential by the Candidate and is not disclosed,

copied, reproduced, distributed or passed to any other person at any time except for the purpose of enabling a submission to be made: for example disclosure by a Candidate to its insurers who are directly involved in the bid, is permitted provided they have each given an undertaking at the time of receipt of the relevant information (and for the benefit of the Authority) to keep such information confidential.

## **10 Freedom Of Information**

10.1 The Authority is subject to the requirements of the Freedom of Information Act 2000 and the Environmental Regulations 2004, the subordinate legislation made under the Act/Regulations and any guidance and/or codes of practice issued (from time to time) in relation to such legislation. Candidates are required to:

10.1.1 specify (with reasons) those parts of their PQQ submission responses which they regard as falling within any of the exemptions from disclosure specified under the Freedom of Information Act 2000 and/or the Environmental Regulations 2004 including (without limitation) information provided in confidence; and

10.1.2 state which provisions of the Freedom of Information Act 2000 and/or the Environmental Regulations 2004 apply to the information identified under paragraph 10.1.1.

10.2 The Authority however, shall be responsible for determining, at its absolute discretion, whether such exemption should apply and Candidates agree to comply with any such decision taken by the Authority.

## **11 Conflicts Of Interest**

11.1 The Authority is concerned to avoid conflicts of interest. Candidates should note that the Authority reserve the right to disqualify Candidates where there is an actual or potential conflict of interest. Candidates are therefore advised to review carefully the prior or current involvement of the Candidate with the Authority and to contact the named contact in paragraph 3 of the PQQ prior to submission of the completed PQQ to discuss actual or potential conflicts they have identified.

## 12 Selection Evaluation Matrix

12.1 The Authority will first assess PPQ submission responses to ascertain that their minimum pass/fail compliance requirements have been met. Those PQQ responses that meet these minimum requirements will then be evaluated in accordance with the matrix below.

Level 1 Criteria	Level 1 Criteria Weightings	Level 2 Criteria Question No.	Level 2 Criteria	Level 2 Criteria Sub-Weighting	Available Scores
Economic and Financial Standing	30%				
		3	Financial Information	30%	0-4
		<b>SUB-TOTAL</b>		<b>30%</b>	<b>4</b>
Technical and Professional Ability	70%				
		4.1	Key Personnel	10%	0-10
		4.2	Similar Project Experience	10%	0-10
		4.3	Design Quality	10%	0-10
		4.4	Sustainability Approach	10%	0-10
		4.5	Health and Safety Approach	<b>Pass/Fail</b>	
		4.6	Previous Contract Performance	10%	0-10
		4.7	Finance Raising Ability and Experience	20%	0-4
		<b>SUB-TOTAL</b>		<b>70%</b>	<b>54</b>
<b>OVERALL TOTAL: 100%</b>					

The Authority will apply the following scoring scale in assessing Level 2 Questions for Financial Information (3) and Finance Raising Ability and Experience (4.7)

<b>SCORING SCALE</b>	
<b>Score</b>	<b>Commentary</b>
0	Unacceptable
1	Poor - below expectations
2	Meets expectations
3	Good - well above expectations
4	Exceptional

The Authority will apply the following scoring scale in assessing each of the other Level 2 Criteria Questions.

<b>SCORING SCALE</b>	
<b>Score</b>	<b>Commentary</b>
0	Unacceptable
1	Very weak - almost unacceptable
2	Weak - well below expectations
3	Poor - below expectations
4	Satisfactory but below expectations
5	Meets expectations
6	Slightly exceeds expectations
7	Good - well above expectations
8	Very good
9	Outstanding
10	Exceptional

- 12.2 The Authority proposes to invite the Candidates with the five highest scoring compliant PQQ submissions to the tender stage of the competition process.



## PART 2

### INFORMATION TO BE PROVIDED TO THE AUTHORITY

#### 1 Return of Pre-qualification/Short-listing Information Requested in Part 2

1.1 A Candidate wishing to participate must provide:

- All of the background information requested in section 1
- All of the financial and technical information requested in section 2
- the *Statement of Good Standing* at section 3 (fully completed and signed)
- the pre-qualification checklist at section 4 (fully completed)

To GVA  
St Catherine's Court, Berkeley Place  
Bristol BS8 1BQ

By: **12:00 noon on Monday 14 March 2011**

- 1.2 Please note that GVA has been appointed as the agent of the Authority to receive completed PQQ submissions on its behalf at this address. This is the only address at which the Authority will accept completed PQQ submissions in relation to this procurement.
- 1.3 Candidates must submit 2 hard copies and a copy in electronic format on CD-ROM. In the event of discrepancy the hard copy will take precedence.
- 1.4 Submissions must be contained in a sealed envelope bearing the following words "CONFIDENTIAL - PQQ for NORTH PLACE & PORTLAND STREET DEVELOPMENT – CHELTENHAM BOROUGH COUNCIL ref DM/15861" and not bear on the envelope any name or mark indicating the sender.
- 1.5 When providing its response to this PQQ, Candidates must follow the order set out in this Part 2. Any additional information provided (not requested in this PQQ) as supplemental sheets will not be evaluated by the Authority.
- 1.6 **Checklist:** There is a checklist at the end of this PQQ at section 4 which Candidates can use to check that they have answered all the questions required and which must be completed and returned as part of the PQQ.

**PART 2 - SECTION 1 – CANDIDATE INFORMATION**

Please provide the following information:

**1 Basic Information**

- Name of Candidate (or in the case of a Consortium the Lead Organisation)
- VAT Registration Number
- Contact Details:
  - Address for Correspondence
  - Contact Name and Position
  - Telephone Number
  - Fax Number
  - E-Mail Address
- A one-page chart illustrating the ownership structure of the Candidate (or in the case of a Consortium the Lead Organisation) including relations to any parent or other group and holding companies.

*In the case of a Company*

- Registered Company Number
- Registered Office Address
- Year of Registration
- Country of Registration

*In the case of a Partnership*

- Total Number of Partners
- Date the Partnership was formed
- Details of any fundamental changes in the composition of the Partnership in the last three years (e.g. partnership dissolution, merger or departure of Partners)
- County of establishment

*In the case of a Limited Liability Partnership*

- Registered LLP Number
- Registered Office Address

- Country of Registration

In the case of Other Entities then please specify and provide details of:

- The type of organisation
- Period of establishment
- County of establishment
  
- A brief history (maximum 400 words) of the Candidate (and in the case of a Consortium the Lead Organisation) including length of time trading, ownership structure; any significant changes (over last 3 years or any pending); changes in financial structure; prospective take-over bids, buy-outs etc in the public domain.

## **2 Consortium Information (if applicable)**

Where the Candidate is a Consortium then please *additionally* provide:

- 2.1 the above Basic Information in respect of each key Consortium Member that will play a significant role in delivering the development under the proposed contract; and
- 2.2 details of the role of each Consortium Member in delivering the development under the proposed contract and their relationship with the Lead Organisation and other Consortium Members (including (but not limited to) any proposed contractual arrangements and ownership structures).

## PART 2 - SECTION 2 – FINANCIAL AND TECHNICAL INFORMATION

### 3 FINANCIAL INFORMATION

Candidates must provide the financial information requested in this section.

In the case of a Candidate that is a Consortium then the following financial information should be provided by the Lead Organisation and also each of the key Consortium Members who will play a significant role in the performance of the services under the proposed contract.

#### ***Bankers Statement***

- 3.1 Please provide the name and address of the principal banker together with a banker's reference for the Candidate confirming the period and nature of relationship together with details of the Candidate's credit status.

#### ***Statutory Accounts and Statements of Business Turnover***

- 3.2 Please provide a statement of the Candidate's overall business turnover in respect of each year in the last three financial years.
- 3.3 Please provide a statement of the Candidate's turnover in respect of each year in the last three financial years in relation to similar regeneration/development opportunities to those to be provided under this procurement. Please state details of individual turnover or Consortia Aggregate.

**The minimum annual turnover in order for the PQQ to be compliant is 20 million GBP.**

In addition, the indicative transaction size of this project as a ratio of turnover (of individual or an aggregate if the Candidate is a Consortium) will be considered when assessing this element of the selection criteria. The Authority will take into account the risk of financial dependency on this project.

- 3.4 Candidates are required to evidence the statements of turnover referred to above and provide further financial information by providing the following statutory accounts (as required to be published under the laws of the relevant State in which the economic operator is established) and details for the Candidate:

3.4.1 *In the case of a Company*

Audited accounts for the last three financial years. If the most recent accounts submitted are for a year ended more than 10 months ago then please also enclose the latest set of management accounts.

3.4.2 *In the case of a Partnership*

Two copies of the accounts, audited if available, for the last 3 years. If the accounts submitted are for a year ended more than 10 months ago then please also enclose the latest set of management accounts. The accounts should include:

- Profit and Loss Account;
- Balance Sheet;

- Full notes to the accounts;
- Directors Report/Managing Partners Report (if available); and
- Auditor's Report (if accounts are audited).

- 3.5 Please provide an abstract of key data from the accounts stating the total business turnover, gearing, gross profit margin, net profit margin, current ratio, debt to assets, Turnover, Net assets.

***Statement of any contingent liability or loss***

- 3.6 Please confirm whether the Candidate, as at the last reporting date, have any contingent liability or loss (where not otherwise reported) which would require disclosure in accordance with International Accounting Standard 10.

***Details of Litigation***

- 3.7 Please provide details of any material, pending or threatened litigation or other legal proceedings (where not otherwise reported) against the Candidate where the claim is of a value in excess of £10,000.

***Evidence of Insurance***

- 3.8 Please provide copies of insurance certificates held, in particular, certificates are required for public liability insurance and employers' liability insurance.

**Candidates (and in the case of Consortia the Lead Organisations) are required to hold public liability insurance at the time of PQQ submission with a minimum cover of £5m in order for the PQQ to be compliant.**

**In the case of Consortia, where the design team is identified, each member of the design team is required to hold professional indemnity insurance at the time of PQQ submission with a minimum cover of £10m in order for the PQQ to be compliant**

**Other Appropriate Information**

- 3.9 A Candidate/Lead Organisation wishing to rely on the capacities of other entities, members in a group or Consortium Members for the purposes of the economic and financial standing assessment should provide *additional* details of those capacities and how they will be made available to the Candidate (e.g. banker's reference, last three financial year audited / signed accounts for any proposed guarantor and parent company guarantee details etc.).

## 4 TECHNICAL INFORMATION

### Key Personnel

- 4.1 Please provide details of all key personnel of the Candidate that will be involved in organising the performance and delivery of the development contract using the template below:

Name of Individual	Specialist Area and role in the Candidate	Employer	Qualifications	Appointed or to be appointed

CVs should be attached in your response for all individuals listed.

**Please limit your response to this question (including CVs) to no more than 5 pages of A4.**

### Similar Projects Experience

- 4.2 Please identify three similar projects which the Candidate has delivered in the past 5 years and believes demonstrates their capabilities to deliver this particular development recognising the issues identified in the *Supplementary Planning Document* ("SPD") [http://www.cheltenham.gov.uk/site/scripts/download\\_info.php?fileID=2164](http://www.cheltenham.gov.uk/site/scripts/download_info.php?fileID=2164) and development brief such as car parking, historical context, conservation area, relation to town centre, road infrastructure, bus node, public space, sustainability and affordable housing.

Please provide details of:

- Name of customer organisation to whom services are being or were provided (and whether such customer organisation was public or private)
- The date of the contract and contract period
- The value of the contract
- Nature of the scheme
- Project status (e.g. completed or projected completion)
- Specific relevance of project cited to this opportunity

Please provide contact details (name, position, address, phone number and e-mail) for each of the customer organisation (or alternatively where relevant, the public sector partner, planning department, landowner or end user etc.) whose contract is referred to in order for the Authority to take up references to verify the submitted information and the quality of the service if necessary.

**Please limit your response to this question to no more than 5 pages of A4.**

### Design Quality

- 4.3 The Authority is requiring a high quality scheme that reflects the surrounding environment. Please provide details of 2 or 3 schemes produced by the Candidate (or key Consortium Members) that are noted for their quality of design, noting any awards won or standards attained for each scheme.

**Please limit your response to this question to no more than five pages of A4.**

### Sustainability Approach

- 4.4 Sustainability is a key requirement for the development. Please provide details of the Candidates experience of delivering environmentally friendly construction, design and whole life cycle approach to buildings noting any awards won or standards attained for implemented schemes.

**Please limit your response to this question to no more than three pages of A4.**

### Health and Safety Approach

- 4.5 Please provide a copy of the Candidate's (and in the case of a Consortium that of the Consortium Member responsible for co-ordinating and performing the construction works and any facilities maintenance services) health & safety policy and/or statement.

Has the Candidate (and in the case of a Consortium the Consortium Member responsible for co-ordinating and performing the construction works and any facilities maintenance services) been issued any enforcement notices or been subjected to any prosecutions in relation to Health & Safety in the last 3 years?

If so, please provide details, including details of subsequent changes to prevent reoccurrence.

**Please limit your response to this question to no more than 400 words.**

**This is a Pass/Fail Compliance Requirement that needs to be satisfied if for your PQQ to be scored.**

**In order to pass, the Bidder needs to:**

**Demonstrate to the Authority that the Authority should not, in its reasonable opinion, have any material concerns that the bidder is not meeting its Health & Safety duties.**

### Previous Contract Performance

- 4.6 Has the Candidate (and in the case of a Consortium each of the key Consortium Members that will play a significant role in delivering the development under the proposed contract) ever had any contract terminated for poor performance within the last 5 years? If so then please provide details of the contract and the circumstances surrounding termination.

**Please limit your response to this question to no more than 400 words.**

**Finance Raising Ability and Experience**

- 4.7 Please provide information as to how the Candidate intends to obtain and secure finance for its delivery of the development. Please state source of funds, indicative terms and any (anticipated) covenant requirements. If applicable please provide an in principle letter of support from all relevant third party funders.

Please provide details of your track record in being able to raise finance for similar regeneration/development opportunities in the past 5 years.

Your answer should demonstrate the ability to raise finance for a minimum capital investment in the region of 20 million GBP to deliver the project.

**Please limit your response to this question to no more than three pages of A4.**



**PART 2 - SECTION 3 – STATEMENT****STATEMENT OF GOOD STANDING – CRITERIA FOR REJECTION OF CANDIDATES - in accordance with Article 45 of Directive 2004/18/EC/Regulation 23 of the Public Contracts Regulations 2006**

Name of Candidate ("Contractor"):

.....

***In the case of a Consortium, each Consortium Member must complete and return this Statement.***

***If the Contractor is not in a position to confirm any of the statements below then full details of the relevant incident and circumstances should be provided and set out in a separate Annex as part of your PQQ submission response.***

We confirm that, to the best of our knowledge, the Contractor is not in breach of the provisions of Article 45 of Directive 2004/18/EC/Regulation 23 of the Public Contracts Regulations 2006 and in particular that:

- 1 The Contractor or its directors or any other person who has powers of representation, decision or control of the Contractor has not been convicted of any of the following offences:
  - 1.1 conspiracy within the meaning of section 1 of the Criminal Law Act 1977 where that conspiracy relates to participation in a criminal organisation as defined in Article 2(1) of Council Joint Action 98/733/JHA;
  - 1.2 corruption within the meaning of section 1 of the Public Bodies Corrupt Practices Act 1889 or section 1 of the prevention of Corruption Act 1906;
  - 1.3 the offence of bribery;
  - 1.4 fraud, where the offence relates to fraud affecting the financial interests of the European Communities as defined by Article 1 of the Convention relating to the protection of the financial interests of the European Union, within the meaning of:
    - 1.4.1 the offence of cheating the Revenue;
    - 1.4.2 the offence of conspiracy to defraud;
    - 1.4.3 fraud or theft within the meaning of the Theft Act 1968 and the Theft Act 1978;
    - 1.4.4 fraudulent trading within the meaning of section 458 of the Companies Act 1985;
    - 1.4.5 defrauding the Customs within the meaning of the Customs and Excise Management Act 1979 and the Value Added Tax Act 1994;
    - 1.4.6 an offence in connection with taxation in the European Community within the meaning of section 71 of the Criminal Justice Act 1993; or

- 1.4.7 destroying defacing or concealing of documents or procuring the extension of a valuable security within the meaning of section 20 of the Theft Act 1968;
- 1.4.8 money laundering within the meaning of the Money Laundering Regulations 2003; or
- 1.4.9 any other offence within the meaning of Article 45(1) of the Public Sector Directive.

**2** None of the following sub-paragraphs 2.1 to 2.9 apply to the Contractor:

- 2.1 being an individual is bankrupt or has had a receiving order or administration order or bankruptcy restrictions order made against him or has made any composition or arrangement with or for the benefit of his creditors or has made any conveyance or assignment for the benefit of his creditors or appears unable to pay or to have no reasonable prospect of being able to pay, a debt within the meaning of section 268 of the Insolvency Act 1986, or article 242 of the Insolvency (Northern Ireland) Order 1989, or in Scotland has granted a trust deed for creditors or become otherwise apparently insolvent, or is the subject of a petition presented for sequestration of his estate, or is the subject of any similar procedure under the law of any other state;
- 2.2 being a partnership constituted under Scots law has granted a trust deed or become otherwise apparently insolvent, or is the subject of petition presented for sequestration of its estate;
- 2.3 being a company or any other entity within the meaning of section 255 of the Enterprise Act 2002 has passed a resolution or is the subject of an order by the court for the company's winding up otherwise than for the purpose of bona fide reconstruction or amalgamation, or has had a receiver, manager or administrator on behalf of a creditor appointed in respect of the company's business or any part thereof or is the subject of the above procedures or is the subject of similar procedures under the law of any other state;
- 2.4 has been convicted of a criminal offence relating to the conduct of his business or profession;
- 2.5 has committed an act of grave misconduct in the course of his business or profession;
- 2.6 has not fulfilled obligations relating to the payment of social security contributions under the law of any part of the United Kingdom or of the relevant State in which the Contractor is established;
- 2.7 has not fulfilled obligations relating to the payment of taxes under the law of any part of the United Kingdom or of the relevant State in which the Contractor is established;
- 2.8 is guilty of serious misrepresentation in providing any information required of him under Regulation 23 of the Public Contracts Regulations 2006;
- 2.9 is not licensed in the relevant State in which he is established or is not a member of an organisation in that relevant State when the law of that relevant State prohibits the provision of services to be provided under the contract by a person who is not so licensed or who is not such a member.

**3** Where applicable, the Contractor is registered with the appropriate trade or professional register(s) in the EU member state where it is established (as set out in Annex IX B of Directive 2004/18/EC) under the conditions laid down by that member state.

Signed .....

Name .....

Position .....

**SECTION 4 – CHECKLIST**

Candidate's Name.....

**BACKGROUND INFORMATION**

Question No.		Enclosed	N/A
1	Basic Information		
2	Consortium Information		

**FINANCIAL INFORMATION****Submissions in relation to Economic & Financial Standing**

Question No.		Enclosed	N/A
3.1	Banker's Details and Banker's Reference		
3.2 to 3.5	Statutory Accounts and Statements of Business Turnover		
3.6	Statement of any contingent liability or loss		
3.7	Details of Litigation		
3.8	Evidence of Insurance		
3.9	Other Appropriate Information		

**TECHNICAL INFORMATION****Submissions in relation to Technical and Professional Ability**

Question No.		Enclosed	N/A
4.1	Response to Key Personnel Question ( <i>and CV attachments</i> )		
4.2	Response to Similar Projects Experience Question ( <i>with reference details</i> )		
4.3	Response to Design Quality Question		
4.4	Response to Sustainability Approach Question		
4.5	Response to Health and Safety Approach Question ( <i>and health and safety policy/statement</i> )		
4.6	Response to Previous Contract Performance Question		
4.7	Finance Raising Ability and Experience		

**STATEMENT OF GOOD STANDING**

	Enclosed	N/A
Signed Statement(s) of Good Standing (including where applicable from all Consortium Members)		
Where applicable, Annex submissions relating to Statement(s) of Good Standing		

## Cheltenham Borough Council

### Cabinet – 8 February 2011

#### Gloucestershire Waste Core Strategy - Publication version public consultation v1

<b>Accountable member</b>	<b>Leader, Councillor Steve Jordan</b>
<b>Accountable officer</b>	<b>Strategic Land Use Manager, Tracey Crews</b>
<b>Accountable scrutiny committee</b>	<b>Environment</b>
<b>Ward(s) affected</b>	<b>All wards</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>Gloucestershire County Council is the waste planning authority for the county. The County Council has prepared the Gloucestershire Waste Core Strategy (WCS) Publication version for public consultation from Monday 13th December until Monday 7th February 2011. Once adopted, it will provide the planning framework for waste management across the county for the period 2012 to 2027 and will form part of the Waste Development Framework and part of the statutory development plan for Cheltenham.</p> <p>This publication stage follows on from previous stages of consultation: Issues and Options (2006); Preferred Options (2008) and Site Options (2009); with targeted ongoing consultation between each stage.</p> <p>The publication version is broadly in line with the earlier strategies and the comments previously submitted by Council. The WCS has allocated four strategic sites, none of which fall within Cheltenham Borough, however there are two sites in proximity at Wingmoor Farm. Aside from these allocations, the WCS places emphasis on a policy based approach to be used in determining future allocations.</p> <p>This stage of consultation will only allow representations discussing the “soundness” of the document rather than the merits of individual sites and falls within Regulation 27 of the Town and Country Planning Regulations which seeks views primarily on whether the plan is:</p> <ul style="list-style-type: none"> <li>▪ Legally compliant, and</li> <li>▪ Sound. To be considered sound it must be, justified; effective and consistent with national policy.</li> </ul> <p>Members are requested to support the formal publication of the Gloucestershire WCS, subject to appropriate consideration of the issues raised in the response.</p>
<b>Recommendations</b>	<b>That the Cabinet approve the appended consultation response for submission to Gloucestershire County Council.</b>

<b>Financial implications</b>	<p>No financial implications associated with this report, however, the siting of waste treatment facilities could have a significant impact on the transport costs accrued by the Operations Division.</p> <p><b>Contact officer Andrew Powers:</b>  <b>Andrew.Powers@cheltenham.gov.uk, 01242 264121</b></p>
<b>Legal implications</b>	<p>When adopted, the Waste Core Strategy will form part of the statutory development plan for Cheltenham.</p> <p><b>Contact officer: Jonathan Noel</b>    <a href="mailto:Jonathan.noel@tewkesbury.gov.uk">Jonathan.noel@tewkesbury.gov.uk</a>  <b>01242 77 5117</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>None</p> <p><b>Contact officer:</b>        ,        <b>@cheltenham.gov.uk, 01242</b></p>
<b>Key risks</b>	<p>No relevant corporate risks.</p> <p>No divisional risks identified</p>
<b>Corporate and community plan Implications</b>	<p>The principles of the WCS support the aspirations of Objective 1, Enhancing and Protecting our Environment, of the Corporate Strategy and the longer term ambition of Promoting Sustainable Living, of the Sustainable Community Strategy</p>
<b>Environmental and climate change implications</b>	<p>The allocation of strategic disposal sites within the WCS at Wingmoor Farm, within close proximity to existing facilities and close to collection areas offers advantages in terms of reducing carbon emissions and provides operational and financial efficiencies. However, this needs to be balanced against the impact of such sites on the existing, and potential, communities living in close proximity.</p> <p>Whilst not within Cheltenham's administrative area, there are likely to be impacts on biodiversity associated with the allocation of the two strategic waste management facilities at Wingmoor Farm. To the south of Wingmoor Farm lies Wingmoor Farm Meadow which is a key wildlife site.</p> <p>Biodiversity has been considered by Gloucestershire County Council in the preparation of the WCS and will be a consideration in the determination of planning applications for waste facilities.</p> <p>A Habitats Regulation Assessment has been prepared alongside the WCS which assesses the potential impacts of the plan on protected European species and habitats/</p>

- 1.1** The purpose of this report is to provide a summary of the Waste Core Strategy (WCS) Publication Version consultation document and seek approval for the submission of the appended consultation response.
- 1.2** Gloucestershire County Council is the waste planning authority for the county. As part of the Minerals and Waste Development Framework, Gloucestershire County Council has prepared the Gloucestershire WCS Publication version for public consultation from Monday 13th December until Monday 7th February 2011. Once adopted, it will provide the planning framework for waste management across the county for the period 2012 to 2027 and sets out: the key issues; the vision for Gloucestershire for 2027; the objectives to be achieved; and the strategy for achieving them, including the allocation of sites. Once adopted it will form part of the Minerals and Waste Development Framework and part of the statutory development plan for Cheltenham.
- 1.3** This publication stage follows on from previous stages of consultation: Issues and Options (2006); Preferred Options (2008) and Site Options (2009); with targeted ongoing consultation between each stage.
- 1.4** The WCS was originally intended to be submitted for Examination in Public in late 2008. However, changes in Government guidance resulted in the need for the strategy to include strategic sites, as such the County Council undertook the additional site options consultation in 2009.
- 1.5** During the Site Options consultation the importance of submitting specific comments was stressed as the next formal stage of consultation at the Pre-submission stage (i.e. this stage) will only allow representations discussing the “soundness” of the document rather than the merits of individual sites. This current consultation falls within Regulation 27 of the Town and Country Planning Regulations and seeks views primarily on whether the plan is:
- Legally compliant, and
  - Sound. To be considered sound it must be, justified; effective and consistent with national policy
- 1.6** Cheltenham Borough Council’s previous representations to the Preferred Options consultation and the Site Options consultation can be viewed online, see links contained within *Background documents*.
- 1.7** Cheltenham Borough Council was broadly supportive of the vision and strategy within the Preferred Options document which remain similar and the majority of our policy preferences have been progressed into the final version of the document, with the exception of the comment made in relation to WPO10, now Core Policy WCS8. The council had considered that the chosen option would provide an increasing role for local planning authorities in the planning of waste sites, for which local planning authorities would not necessarily have the relevant skills to perform. However, WCS8 allows for consultation with the Waste Planning Authority and therefore when dealing with applications the council will need to look to the county for advice. This is considered acceptable by the Development Control Manager.
- 1.8** In terms of the Site Options consultation, the Council was broadly supportive of the general principle that waste facilities should be located in proximity to waste arisings and accepts this will necessitate the majority of waste treatment facilities being located within ‘Zone C’. With Zone C focusing on the central area of Gloucestershire, close to the main urban areas along the M5, including Cheltenham and Gloucester. The Council had previously suggested that sites should also be considered outside of this zone. This has been addressed by the inclusion of a criteria based policy (Core Policy WCS4) to address non strategic sites arising both within and outside of Zone C and for if one of the four strategic sites does not progress within Zone C.

**1.9** The four strategic sites identified within the Core Policy WCS4:

- Wingmoor Farm East, Bishops Cleeve (mainly Commercial & Industrial (C&I) waste with potential for Municipal Solid Waste (MSW))
- Wingmoor Farm West (A & B), Bishops Cleeve (primarily MSW with potential for C&I)
- Javelin Park, Haresfield (primarily MSW, but with C&I potential)
- Land at Moreton Valence (primarily C&I, but with MSW potential)

**1.10** Gloucestershire County Council has recognised the opportunity at Javelin Park to provide a 'one site solution' to residual waste. Cheltenham Borough Council does not necessarily support this approach, as considers the significance of journey times and distances from collection point to disposal point as an important factor in reducing carbon emissions and making operational and financial efficiencies. The County Council owns a large section of this site. If the decision is taken to have a single site to accommodate residual waste recovery, then this needs to be supported by the provision of appropriate waste transfer facilities elsewhere in the county. Core Policy WCS4 does not make reference to the possibility of a one site solution to residual waste recovery, but it is recommended that the policy or supporting text be expanded to include a requirement to provide waste transfer stations should such an approach be explored.

**1.11** The Council also previously commented on the right to comment in detail on site specific proposals at the application stage, as the WCS does not specify the type of waste treatment facilities proposed and as such potential hazards could not be properly assessed. This remains the position within this Publication Stage, the County Council is 'technology neutral' and therefore has no preference for one technology/process over another, the main consideration is that any site identified is suitable for that use and this is generally established at the planning application stage. The council previously stated that it reserved the right to comment in specific detail at the planning stage and this position is maintained and will be reiterated in the response for clarity. The Council would have very significant concerns if support for a specific site implied the processing of hazardous waste, and/or the production of toxic end products in a location close to centres of population.

**1.12** The council also retains previous concerns over the potential proximity of residential areas to Wingmoor Farm East and West and will also reiterate previous comments for clarity and reserves the right to further comment at planning application stage. In particular, in relation to any potential health impacts on the use/increased use of the site on local communities, taking account of the most up to date information contained within the Wingmoor Waste Treatment Plant and Landfill Sites Community Health Impact Assessment (HIA).

**1.13** The Waste Planning Authority is considering a planning application to extend the life of the landfill at Wingmoor Farm. Due to be determined in Spring 2011, the granting of planning permission would ensure significant capacity for hazardous waste in Gloucestershire for approximately 22 years. In the event that planning permission was not granted, or subsequent applications were forthcoming, Policy WCS6 would be used primarily to determine an application for hazardous waste. The WCS is supportive of proposals to recycle and recover hazardous waste, with disposal as a last option, where it can be demonstrated that the proposal is 'environmentally acceptable.' As mentioned above, the Council would have very significant concerns if support for a specific site implied the processing of hazardous waste, and/or the production of toxic end products in a location close to centres of population.

**1.14** In terms of the Joint Core Strategy (JCS) work, it will be necessary to ensure that these allocated sites are reflected on the Proposals Map.

**1.15** Gloucestershire County Council will consider all representations made on the publication version of the WCS and then formally submit the WCS to the Secretary of State in April 2011. An Independent examination of the document will be carried out by the Planning Inspectorate to explore whether the document is legally compliant and sound. It is anticipated that Gloucestershire County Council will adopt the WCS in January 2012.



## 2. Reasons for recommendations Page 55

- 2.1 The current consultation seeks views on the legal compliance and soundness of the document. Council has responded to two previous consultations and the majority of the Council's representations have been adequately addressed. Where representations have not been able to be incorporated, particularly with reference to site specific comments, the council retains the ability to comment at the planning application stage. Previous comments in relation to strategic sites have been reiterated within this response for clarity.
- 2.2 The policies and proposals within the WCS are in accordance with national policy relating to waste management and are soundly based.

## 3. Alternative options considered

- 3.1 None at this stage. Consultation on the WCS is primarily related to the legal compliance and soundness of the consultation, to which there are no objections. The opportunity to comment on strategy and site locations was provided through previous stages of consultation.

## 4. Consultation and feedback

- 4.1 The Gloucestershire WCS Publication version has been out for public consultation from Monday 13th December until Monday 7th February 2011. Cheltenham Borough Council has been given an extension in order for the consultation response to be agreed by Cabinet.
- 4.2 Internal consultation on proposed consultation response has been undertaken with relevant cabinet members; Assistant Director – Operations; Development Control Manager and Climate Change and Sustainability Officer.

## 5. Performance management –monitoring and review

- 5.1 Gloucestershire County Council has responsibility for monitoring performance against the WCS.

<b>Report author</b>	<b>Contact officer: Claire Cullen-Jones,</b> <b>Claire.cullen-jones@cheltenham.gov.uk, 01242 216725</b>
<b>Appendices</b>	1. Draft consultation response 2. Map of Zone C

<b>Background information</b>	<ol style="list-style-type: none"><li>1. The Gloucestershire Waste Core Strategy, Publication version December 2010 <a href="http://www.gloucestershire.gov.uk/index.cfm?articleid=17991">http://www.gloucestershire.gov.uk/index.cfm?articleid=17991</a></li><li>2. Waste Core Strategy Site Options consultation 2009 <a href="http://www.gloucestershire.gov.uk/index.cfm?articleid=21884">http://www.gloucestershire.gov.uk/index.cfm?articleid=21884</a></li><li>3. Cheltenham Borough Council's response to Waste Core Strategy Site Options consultation 2009 <a href="https://democracy.cheltenham.gov.uk/Data/Cabinet/20091208/Agenda/2009%2012%2008%20CAB%207.2%20Appendix.pdf">https://democracy.cheltenham.gov.uk/Data/Cabinet/20091208/Agenda/2009%2012%2008%20CAB%207.2%20Appendix.pdf</a></li><li>4. Waste Core Strategy Preferred Options 2008 <a href="http://www.gloucestershire.gov.uk/index.cfm?articleid=17990">http://www.gloucestershire.gov.uk/index.cfm?articleid=17990</a></li><li>5. Cheltenham Borough Council Response to Waste Core Strategy Preferred Options 2008 <a href="https://democracy.cheltenham.gov.uk/Data/Cabinet/20080311/Agenda/2008%2003%2011%20Minerals%20and%20Waste%20Core%20Strategies%20-%20Preferred%20options%20consultation%20App.pdf">https://democracy.cheltenham.gov.uk/Data/Cabinet/20080311/Agenda/2008%2003%2011%20Minerals%20and%20Waste%20Core%20Strategies%20-%20Preferred%20options%20consultation%20App.pdf</a></li></ol>
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**DRAFT CBC RESPONSE TO GLOUCESTERSHIRE WASTE CORE STRATEGY – PUBLICATION VERSION**

Cheltenham Borough Council wishes to make the following comments in relation to the Gloucestershire Waste Core Strategy (WCS) – Publication Version.

Recognising that this consultation is primarily aimed at assessing the soundness and legal compliance, Cheltenham Borough Council has no objection to the legal compliance or soundness of the Core Strategy but would like to make the following comments:

**Strategic Objective 2 – Re-use, Recycling and Composting**

Whilst the council is supportive of the strategic objective of achieving at least 60% of household waste to be recycled/composted by 2020 with an aspiration of achieving 70%, this will also have operational implications for both the County and the districts in terms of levels of vehicles and depots required and the promotion of the reduce/recycle/re-use agenda. Any increase in re-use, recycling and composting will reduce the amount of residual waste and therefore will have implications on the amount, location and type of resource required across the county. Therefore, any proposals should ensure that they are sustainable in the long term, as well as the short term, as would not wish to see a position where new plants become unviable due to insufficient waste thus resulting in the need to import significant amounts from elsewhere in the country.

**Core Policy WCS4 – Other Recovery (including energy recovery)**

The Council continues to support the general principle that waste facilities should be located in close proximity to waste arisings and accepts that this will necessitate the majority of strategic waste treatment facilities being located in the “Zone C”. Whilst the allocation of disposal sites close to collection areas offers advantages in terms of reducing carbon emissions and provides operational and financial efficiencies, this needs to be balanced against the impact of such sites on the existing, and potential, communities living in close proximity.

The Council welcomes the criteria based approach to additional/alternative sites that may come forward in the future for strategic and non-strategic sites. Any new sites, occurring as a result of the criteria based policy, either of strategic or non-strategic nature should consider the journey times and distances from collection point to disposal as significant savings in cost and CO<sup>2</sup> emissions can be achieved through reduced vehicle mileage.

The Council acknowledges that the WCS is ‘technology neutral’ and therefore does not include reference to specific technologies, as such, Cheltenham Borough Council has been restricted to commenting on the principle of waste treatment on strategic sites and reserves the right to further comment to specific uses at a later date and at the planning application stage. Cheltenham Borough Council, whilst recognising the benefits that result in terms of economies of scale and carbon savings that result from utilising central sites close to waste arisings, would have very significant concerns if support for a specific site implied the processing of hazardous waste, and/or the production of toxic end products in a location close to centres of population. Cheltenham Borough Council therefore wishes to reiterate concerns over the potential proximity to any possible North West Urban Extension to the hazardous waste plant at Wingmoor Farm and will take account of the most up to date information contained within the Wingmoor Waste Treatment Plant and Landfill Sites Community Health Impact Assessment (HIA).

Cheltenham Borough Council does not necessarily support the County's potential approach for Javelin Park to provide a 'one site solution' to residual waste, as consider the significance of journey times and distances from collection point to disposal point as an important factor in reducing carbon emissions and making operational and financial efficiencies. If the decision is taken to have a single site to accommodate residual waste recovery, then this needs to be supported by the provision of appropriate waste transfer facilities elsewhere in the county. Core Policy WCS4 does not make reference to the possibility of a one site solution to residual waste recovery, but it is recommended that the policy or supporting text be expanded to include a requirement to provide waste transfer stations should such an approach be explored.

#### Wingmoor Farm East and West

In principle, the Council continues to support the use of existing waste treatment sites, as opposed to building new sites, however wish to reiterate the following in relation to Wingmoor Farm.

- The proximity to any possible urban extension at North West Cheltenham<sup>1</sup> needs to be considered and, in practice, may prove unacceptably close. The Council reserves the right to object to specific uses on this site. The specific type of facility promoted on the site will need to take into account the potential impact on existing residential properties and those that may come forward in the future.
- Development of this site may have impacts on the Wingmoor Farm Meadow Gloucestershire Wildlife Trust Reserve and suitable mitigation measures may be required at the application stage.
- Development of this site has the potential to increase traffic on the A435, A4019 and A40 in and around Cheltenham. This increase in traffic needs to be considered in conjunction with increases which could result from the proposed urban extension at North West Cheltenham.
- Consideration will need to be given to the potential for increased surface water flooding resulting from development of the site. This needs to be considered in conjunction with the proposed urban extension to the south of the site.

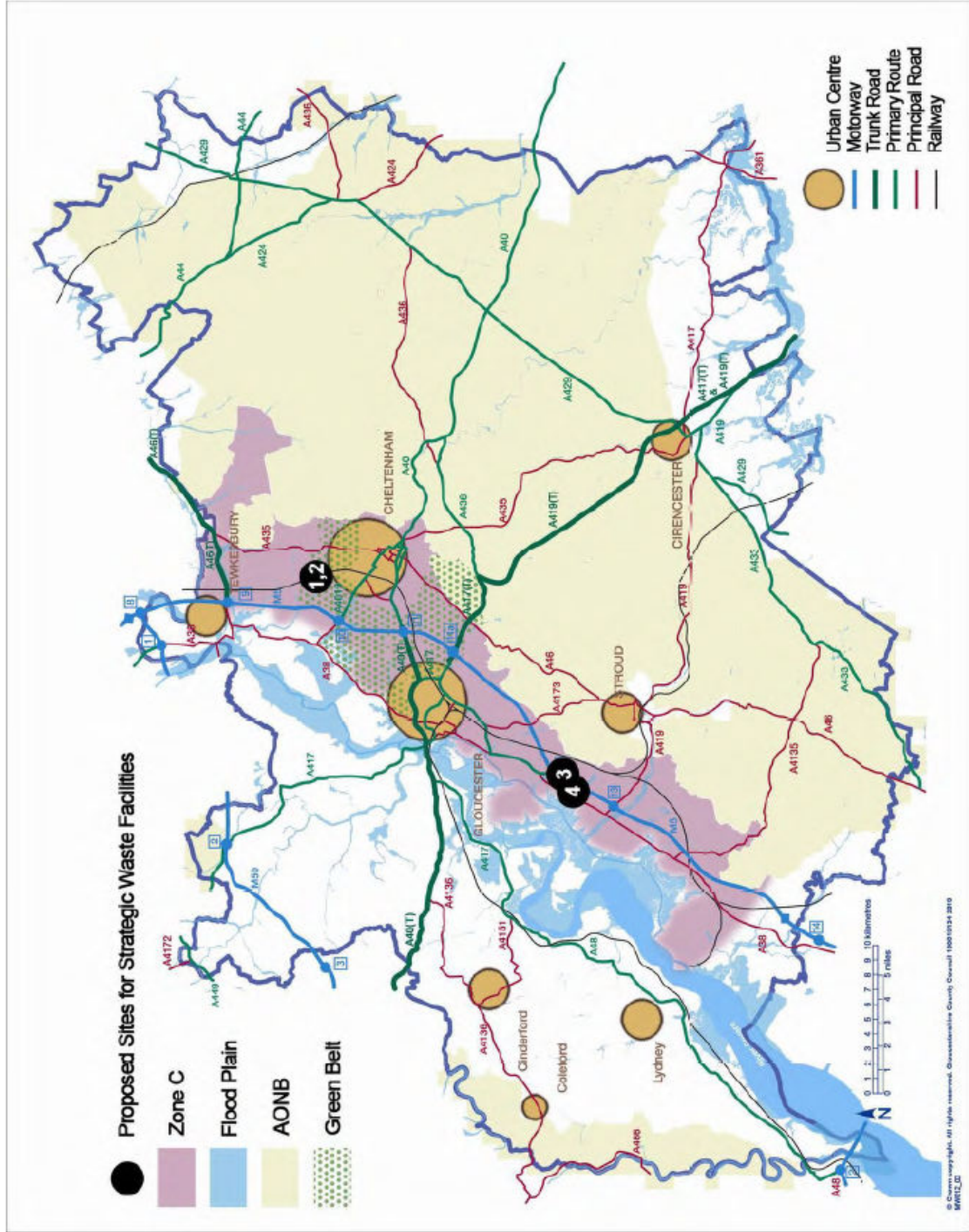
Cheltenham Borough Council reserves the right to further comment at the planning application stage of the strategic sites identified by the WCS

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<sup>1</sup> The Council would like to make it clear that any references to urban extensions as proposed by the draft Regional Spatial Strategy for the South West (RSS) do not imply that they are supported and the Council remains opposed to significant elements of the RSS. The Council is specifically opposed to the construction of the proposed NW extension, for reasons which include its proximity to existing and proposed waste treatment sites.

**Map showing Zone C  
Gloucestershire Waste Core Strategy**

**Appendix 2**



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## Cheltenham Borough Council

**Cabinet – 8 February 2011**

### **Membership of South West Councils**

<b>Accountable member</b>	<b>Leader, Councillor Steve Jordan</b>
<b>Accountable officer</b>	<b>Assistant Chief Executive, Jane Griffiths</b>
<b>Accountable scrutiny committee</b>	<b>Economy and Business Improvement</b>
<b>Ward(s) affected</b>	<b>None</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The council is a member authority of South West Councils (SW Councils) and pays a subscription to support the running of a secretariat. Given the current budget situations of member councils, reductions in government funding to the regions and indeed the demise of many regional structures, South West Councils are requesting councils to confirm whether or not they wish to remain a member. The council's liabilities have been set out if we choose to leave along with future subscription levels if we wish to remain a member.</p> <p>Given the recognition of the need to reduce costs and that regional structures are changing consideration has been given to creating a smaller organisation. The proposal is to establish an 'Employers Plus' option which would be in a position to provide ongoing human resources advisory support and networking opportunities with other councils but would not be undertaking the range of activities that are currently provided through the current model. There is a meeting of the SW Councils Resources and Management Committee on 11 February and we have been requested to provide confirmation as to our position.</p>
<b>Recommendations</b>	<p><b>The Chief Executive be authorised to sign the letter in appendix 3 to this report on the basis that further clarification is provided, to his satisfaction, on the proposed mechanism for the apportionment of liabilities and assets and subject to consultation with the Leader of the Council, the Cabinet Member Finance, Borough Solicitor and the Chief Financial Officer.</b></p> <p><b>That subject to above, the South West Councils' Secretariat be advised that Cheltenham Borough Council is in favour of pursuing the Employers Plus option and will enter into membership of new arrangements on that basis, subject to them being viable and the annual subscription costs not exceeding those currently paid.</b></p>

<p><b>Financial implications</b></p>	<p>The council has within its base budget £7,100 for subscriptions to the SW Councils and would therefore be able to meet the proposed subscription of £5,466 from this budget. The financial liabilities of the proposal and options are set out in appendix XX of the report.</p> <p><b>Contact officer:</b></p>
<p><b>Legal implications</b></p>	<p>If the council, continues with the subscription, by signing the letter, as requested, the Council will be accepting the formula for the sharing of liabilities and surpluses as follows</p> <p>‘Any net liabilities or surpluses of the South West Council, South West Employers and South West Leaders shall be borne by or due to the members of the organisation. Each member shall be entitled to or liable for, as the case may be, a proportion of such amounts equivalent to the proportion of the total subscriptions payable by that member in the last full financial year prior to the assessment of surplus or liability. Members will note that this liability or entitlement may change over time and, therefore, imposes a financial risk which cannot be easily quantified.</p> <p>Specific legal advice is set out at exempt appendix 4 to this report (<i>by virtue of paragraph(s) 5 of Part 1 of Schedule 12A of the Local Government Act 1972</i>)</p> <p><b>Contact officer: Shirin Wotherspoon, Corporate Solicitor, Onelegal Shrin.Wotherspoon@teWKesbury.gov.uk, 01684 272017</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>None directly arising from the report, however support and advice is provided on a range of HR issues including benchmarking policies and processes, which has added considerable value (see comment in Section 4, and Risks).</p> <p><b>Contact officer: Amanda Attfield amanda.attfield@cheltenham.gov.uk, 01242 264186</b></p>
<p><b>Key risks</b></p>	<p>As set out in the risk register</p>
<p><b>Corporate and community plan Implications</b></p>	<p>None</p>
<p><b>Environmental and climate change implications</b></p>	<p>None</p>



## 1. Background

- 1.1 Members in the South West have agreed it would be timely to review joint working arrangements in light of changes to Government policy and funding. Currently there are joint working Member structures in the South West supporting a number of functions:
- South West Employers – providing the employers arm for regional discussion with the Unions. Staff providing specialist employment services and training . Members meet twice a year with the Unions, the Management Committee meets 3 times a year;
  - South West Councils – inclusive of all local authorities, membership reflective of size of authority and political proportionality. Provides forum for debate across authorities and lobbying on shared issues. Meets twice a year with a Business Committee meeting quarterly;
  - South West Leaders – an informal grouping of the County and Unitary Leaders with District representation (constitutionally the Executive arm of SW Councils) providing a joint forum for lobbying and sharing of information. Has been meeting quarterly.
- 1.2 The SW Councils and SW Leaders Members share between them responsibility for the strategic direction and delivery of the work of the Regional Improvement and Efficiency Partnership.
- 1.3 The integrated SW Secretariat was established to provide support for all the work of these organisations. This enabled the structure to be built on the SW Employers structure already in place in the region and enabled a streamlined and integrated workforce which has delivered substantial economies of scale. Other regions have different structures, some continued to run completely separate entities with separate subscriptions and management structures for each.
- 1.4 The SW Councils has identified the opportunity to create a smaller body “Employers Plus” which would provide the ongoing provision of the specialist employment services and income generation provided through South West Employers. In addition to this there would also be secretarial support for streamlined Member structures and Officer Networks. Details of the Member structures and Officer Networks are yet to be developed. The total core cost of the ‘Employers Plus’ model is estimated at £270,000 per year which would be divided between remaining member authorities.
- 1.5 SW Councils have obtained legal advice as to how any liabilities or assets would be dealt with should member authorities seek to resign and how these obligations would be apportioned. The proposal is that apportionment would be based on a proportionate basis linked to the population that the member authority serves. Some councils are keen to continue with a partnership arrangement and SW Councils have put forward proposals as to what each councils liabilities would be should they choose to leave and also what service and subscription would be should they choose to remain as members.
- 1.6 The council has been advised that if it ceased to be a member from 31 March 2011 it would be liable to pay within 30 days of receipt of the invoice a sum of £44,186 which is the council’s apportioned liability based on current estimates. The council within the draft budget papers has earmarked £54,000 of the LAA performance reward grant to meet any liability. Should the council wish to remain a member the subscription payable would be £5,466, which can be met from the current budget for subscriptions.

## 2. Reasons for recommendations

- 2.1 The council have always participated in the work of the regional organisations and have found it useful to have supported both in terms of employment advice but also in terms of networking and support for key issues. Attached at Appendix 2 is an outline of the work that the smaller secretariat would undertake to support activities along with a copy of the paperwork which the

council would need to complete. If the council remained as a member then it would need to understand that if the arrangements were to cease at some point in the future then it would have to meet any future obligations which may be greater than their share at this stage.

**2.2** Attached at appendix 4 is the legal advice received from Bevan Brittan on behalf of all the member organisations which sets out the rationale for apportionment of liabilities and the ongoing issues should members leave over time, and at appendix 5 a copy of the legal advice we have received from Onelegal. Both appendices 4 and 5 are exempt appendices.

**3. Alternative options considered**

**3.1** The council could choose to resign its membership but it may then need to seek advice and support on HR matters from other sources. It may not benefit from reduced rates for training courses which are valuable and specific to local authority needs in the southwest, and it would lose the benefits of networking and lobbying.

**3.2** There is always the risk that given the current financial climate the number of councils remaining in membership would be insufficient to sustain a viable partnership organisation and if this was the case then we would need to meet the outstanding liabilities at that time.

**4. Consultation and feedback**

**4.1** Officers who use the resources and services offered by SW Councils have been consulted and they are of the opinion that continuing membership would be worthwhile.

**5. Performance management –monitoring and review**

**5.1** As members of the partnership organisation it would be incumbent upon us to satisfy ourselves that we are getting value for money from the organisation and to ensure that any concerns regarding performance are fed through the formal channels.

<b>Report author</b>	<b>Contact officer: Jane Griffiths, Assistant Chief Executive, jane.griffiths@cheltenham.gov.uk,  01242 4126</b>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Outline proposals from SW Councils</li> <li>3. Letter from SW Councils</li> <li>4. Legal advice from solicitors appointed by SW Councils - exempt</li> <li>5. Legal advice from Onelegal – exempt</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1.</li> </ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.	If more members wish to leave than currently anticipated then it may be unsustainable to support a small shared officer function and we may have to meet our share of the liabilities of the organisation being wound up.	ACE	18 January 2011	2	3	6	Accept	Money has been earmarked to meet our liability at this time.	31 March 2011	ACE	P&P risk register
2.	If the council continues with membership then should the organisation be wound up at a future date then there is a risk that we may face greater liabilities than those currently outlined.	ACE	18 January 2011	3	3	9	Reduce	Money has been earmarked to meet our liability at this time. The council will need to satisfy itself that the arrangements in place for future apportionment of liabilities and assets is fair	31 March 2011	ACE	P&P risk register
3.	If the Council does not continue membership, the Human Resources benchmarking and advisory contribution would not be available and there may be capacity and/or cost issues in sourcing this in house, costs may increase due to the need to source advice from external means.	AD HR & OD	20 <sup>th</sup> January	3	3	9	Reduce	Assess capacity for benchmarking in house or via Gloucs HR Forum, CIPD, or Expert HR, and explore other means of sourcing advice re local government specific issues e.g. more use of One Legal, direct from Layden House, Expert HR.	31 March 2011	HR Manager, Operations	HR Service Risk Register

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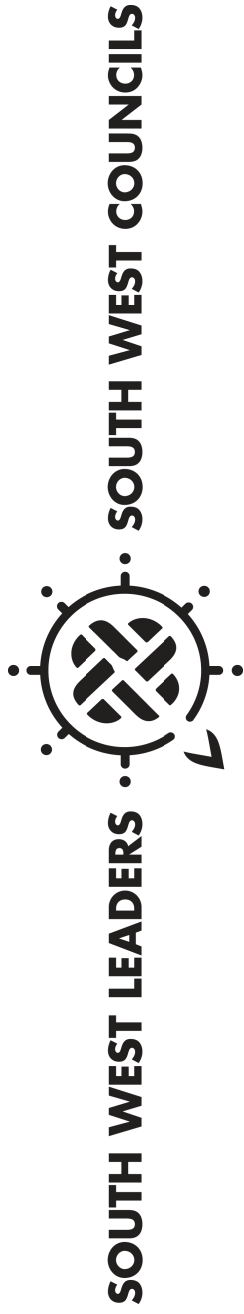
## A MEMBER-LED LOCAL GOVERNMENT ORGANISATION SPECIALISING IN:

- ❖ HUMAN RESOURCE SERVICES
- ❖ MEMBER AND OFFICER DEVELOPMENT
- ❖ NEGOTIATION, CO-ORDINATION AND LOBBYING

Membership benefits include:

- *Employers Advice Service*: access to independent, professionally qualified and experienced specialists for HR advice including the provision of direct support to Members on sensitive senior staff issues, Chief Executive appraisal etc
- Advice on national terms and conditions including teachers
- Additional consultancy support for challenging issues on a not-for-profit basis including Disciplinary investigations; Job Evaluation and Employment Tribunals etc
- Bringing authorities together to influence policy development such as pay and pensions and undertake lobbying as appropriate on issues of concern and supporting SW voice on national LGA Executive. Facilitating relationships with national LGA, central Government etc
- Support for meetings of Leader Members and other Member networks as required e.g. Childrens Services portfolio holders; Scrutiny members etc
- Up to 33% discount for all Members and Officers on events e.g. Topical Conferences held in the SW; Pension Managers Conferences
- Briefing sessions and specialist networking sessions eg HR professional network providing opportunity for sharing of expertise and discussions on current HR issues
- Support for Chief Executives to meet as required on issues of shared interest e.g. discussions on Health agenda
- Supporting Member Development and broader improvement as appropriate
- Subsidised access to advice and support on Member Development Charter and independent assessment process
- Provision of confidential electronic discussion group
- Qualified psychometric testing provision and discounted rates for authorities to access testing licences
- Discount on access to E recruitment portal services

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## Appendix 3

Cllr Stephen Jordan  
Leader  
Cheltenham Borough Council  
4 Priory Mews  
Sidney Street  
Cheltenham  
GL52 6DJ

11 January 2011

Dear Stephen

### UPDATE ON FUTURE JOINT WORKING IN THE SOUTH WEST

As you know, from our letter of 26 November and subsequent email of 21 December authorities have been asked to confirm by the **31 January 2011** whether they wish to continue with joint working and whether they wished to consider ongoing subscription to a small, shared officer structure. A form is enclosed for you to confirm the view of your authority by 31 January. Also attached is a note confirming the subscription for your authority for next year and the indicative liability for resigning members.

As a result of the provisional responses we have concluded that there should be sufficient critical mass to move forward with an organisation supporting those of us who chose to subscribe. However, some authorities remain uncertain – to help with their decision making it was felt helpful to produce the very short summary of key services that would be provided and this was circulated with our



email but is also enclosed. We are also happy to meet authorities and discuss the issues, and Phil Norrey, Chief Executive of Devon who has been providing advice through the process is happy to discuss with your Chief Executive.

In terms of resignation, the discussions we have had based on legal advice, have been clear that any departing member must pay their share of the liabilities before their resignation becomes effective. We hope it will be possible to manage this process smoothly. Attached is a letter that our lawyers have drafted setting out the position and seeking your confirmation of the position and the process. We also enclose the full detailed legal advice as we felt it important to share all this information and avoid individual member authorities having to spend resources on establishing the position individually.



We are now seeking firm commitments by 31 January so that the future arrangements can be moved forward at the meeting of the Resources and Management Committee meeting on 11 February. Following that meeting we are proposing to hold a meeting of all ongoing member authorities in March to formally endorse the Business Plan for 2012/13 and to agree ongoing member structures which we have agreed in our discussions with all the Leaders and members of SW Councils, need to be revisited to be made fit for purpose.

Yours sincerely

Handwritten signature of Alan Connett, consisting of a stylized cursive script followed by the printed name "Alan Connett" and a horizontal line underneath.

Angus Campbell Chair SW Leaders	Harvey Siggs Chair SW Employers	Alan Connett Chair SW Councils
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To be completed by **31 January 2011**

PLEASE RETURN TO ROSIE DENHAM, SW Employers 11 MIDDLE STREET, TAUNTON,TA1 1SH  
OR EMAIL [rosie.denham@swcouncils.gov.uk](mailto:rosie.denham@swcouncils.gov.uk)

<b>Cheltenham Borough Council</b>	
<p>Does your authority want to continue with a small, shared officer structure funded by subscription .</p> <p>(NB if the answer is NO: - please note that your authority will be required to pay its share of the liabilities reflecting legal advice)</p>	<p><b>Yes</b> we wish to continue</p> <p><b>No</b> we don't wish to continue (please delete as appropriate)</p>

**THANK YOU**

Please return with a final decision by 31 January 2011 to: ROSIE DENHAM, SW Employers 11 MIDDLE STREET, TAUNTON,TA1 1SH OR EMAIL [rosie.denham@swcouncils.gov.uk](mailto:rosie.denham@swcouncils.gov.uk)

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## Cheltenham Borough Council

**Cabinet – 8 February 2011**

**Council – 11 February 2011**

### Section 25 Report

<b>Accountable member</b>	<b>Cabinet Member for Community Development and Finance, John Webster</b>
<b>Accountable officer</b>	<b>Section 151 Officer, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>all scrutiny committees</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report fulfils the requirement under Section 25 of the 2003 Local Government Act for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents covering the robustness of estimates and adequacy of reserves.</p> <p>The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.</p>
<b>Recommendations</b>	<b>1. That Cabinet / Council consider this report in agreeing the budget and level of council tax for 2011/12.</b>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Mark Sheldon.</b></p> <p><b>E-mail: <a href="mailto:mark.sheldon@cheltenham.gov.uk">mark.sheldon@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264123</b></p>
<b>Legal implications</b>	<p>There is a legal requirement under Section 25 of the 2003 Local Government Act for the Section 151 to prepare a report to council.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail: <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a></b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>HR implications are outlined in the main budget report.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	See risk register at Appendix 1 of the main budget report.

<b>Corporate and community plan Implications</b>	See main budget report.
<b>Environmental and climate change implications</b>	See main budget report.

## 1. Background

- 1.1 The purpose of this report is to fulfil the requirement under Section 25 of the 2003 Local Government Act for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents covering the robustness of estimates and adequacy of reserves. The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

## 2. Robustness of the estimates

- 2.1 In drawing together the detailed revenue budgets for each service a number of assumptions and principles have been applied. In reviewing the overall robustness of the estimates these should be assessed.

### Inflation

- 2.2 At the time of preparing the budget the inflation allowances built into the base figures for 2011/12 were a reflection of the available indices with an allowance to reflect the expected trend into 2011. The September 2010 rates for the 'Consumer Prices Index' (CPI) was 3.1% and for the 'All Items excluding Mortgage Interest Payments' (RPIX) was 4.6%. The latest indices available for December 2010 are for CPI 3.7% and for RPIX 4.7%. Contract inflation has been allowed for at the appropriate contractual rate e.g. utilities budgets reflect negotiated rates.
- 2.3 In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency saving across the Council, it will be important to continue to monitor this policy to ensure that budgets are sufficient to provide services.
- 2.4 **I am confident that service managers have sufficient budgets to fund supplies and services based upon prevailing pay and price levels in 2011/12.**

### Employee costs – pay / turnover

- 2.5 In line with government policy, employee budgets for 2011/12 do not allow for a pay award but do allow for contractual incremental progression for some staff that are below the top of their grade. The net cost of service assumes an employee turnover saving of around 3% of gross pay budget which equates to an estimated annual saving of c£400,000. Based on previous year's experience this has been achieved but, given the current economic situation and the impact of the job market on turnover, this needs to be closely monitored.
- 2.6 Currently the unions are lobbying for a pay award for lower paid workers for a flat rate of £250 for those earning under £21k per annum. This would cost the authority around £88k. Given the financial settlement and the uncertainty over whether this will be supported, no budgetary provision has been made for this. Had this been built into the budget, additional savings with potential staffing implications would have had to be made. The decision to deal with any financial consequences of an agreement above a pay freeze within the revised budget for 2011/12 is prudent given the uncertainty and implications of allowing for it.

- 2.7 Given the government proposals that pay is actually frozen for the following 2 years, the MTFs

projection does not include any provision for 2012/13 or 2013/14 but allows for pay awards for the remainder of the period of the MTFS at 2%. Given inflationary pressure and a prolonged period of pay freeze there is likely to be upward pressure on pay.

### **Employee costs – pensions**

- 2.8** The budget addresses the result of the triennial revaluation of the pension fund in 2010. Having built in the provisional additional contribution level increase notified by the actuary in the interim budget proposals, the revised position of the actuary i.e. stepping up to the increase contribution, allowed the Cabinet to make changes to its proposals. The changes allow for the saving to be used for one-off purposes in 2011/12. The resulting changes made to final budget proposals for 2011/12 ensure that the budgetary provision for the increase in pension contribution in 2012/13 is embedded into the base budget without further adding to the funding gap. This is a prudent approach.
- 2.9** The MTFS allows for further increases in contribution rates for the new triennial revaluation. The Government's Hutton review of pensions may conclude that the current public sector pension scheme is unsustainable and changes to the scheme may be made making it less generous and less expensive but will require legislative changes. However, the MTFS currently allows for further increase in pension costs as a result of a revaluation in 2013 reflecting the uncertainty in the economy and fund performance which may be offset by pension changes. Given the uncertainty over the outcome and timing of any changes, the approach to the MTFS is not unreasonable.
- 2.10** **I am satisfied that the Council has sufficient budgetary provision for employee related costs in 2011/12 and is being prudent in planning for potential future increases in pay and pension fund costs in the MTFS.**

### **Treasury Management**

- 2.11** The Council signed up to the CIPFA Code of Practice for Treasury Management in 2002 and updates annually its Policy and Strategy statements accordingly. Its decisions are supported by an external consultancy (ArlingClose) and considered by the Treasury Management Panel.
- 2.12** Despite treasury management activity generating significant returns for the Council in the past, the sustained low level of interest rates would suggest that previous levels of investment income will not return for some considerable time. The level of investment interest earned by the Council is now budgeted at c£170k (a reduction from c£1.5m per annum before the recession). The Council has reduced the reliance on investment interest to support the net budget and in turn reduced the risk and impact of the volatility of interest rates on the budget.
- 2.13** No assumptions are made in the MTFS in respect of higher investment returns resulting from a potential increase in interest rates. Once the longer term situation becomes clearer, a more optimistic view may be reflected in the MTFS. The financial implications included in the budget are based on the recommendations of the Treasury Management Panel supported by Arling Close.
- 2.14** The collapse of the Icelandic banks (in which the Council had deposits of £11m made in 2006 for fixed three-year periods) presented a significant challenge for the Council. At this stage £1.6m has been returned to the council leaving £9.4m still to be recovered.
- 2.15** Currently the Council is awaiting the outcome of court test cases in Iceland, challenging the Winding-Up Board (wWUB) of Glitnir bank's decision to treat local authority deposits the same as other depositor's rather than give them preferential depositor status as had been determined by the WUB of Llandsbanki bank. There is currently no evidence to suggest that the level of losses may increase. The third bank in which the council made investment, Kaupthing, Singer and Friedlander, is now predicted to pay out more than originally anticipated. Given the uncertainty over the final outcome, the decision to make no further provision for losses in the budget is not unreasonable.

- 2.16** Following the banking collapse, the Chartered Institute of Public Finance and Accountancy (CIPFA) reviewed the Code of Practice covering this area and the Council revised its Treasury Management Policy and Annual Investment Strategy to take on board the recommendations of the review which strengthen the security of public money. The Annual Investment Strategy determines the parameters within which Officers undertake daily treasury management decisions. Following the banking crisis, the Council's treasury advisors, ArlingClose, continue to work with the Council and the Treasury Management Panel and provide on-going advice on policy.
- 2.17** In February 2009, a number of recommendations were incorporated in the revised Treasury Management Policy and Annual Investment Strategy's lending criteria to a much smaller lending counterparty list which was approved by the Council. Following advice from ArlingClose there is a proposal to increase the lending period to 2 years for some banks. Given that the council is now lending to only a very limited number of banks approved by ArlingClose, I consider this to be a reasonable relaxation in the lending policy which will not open up further risk to the Council.
- 2.18** The prudential code requires that certain calculations be made (prudential indicators) which measure the impact of treasury and borrowing decisions and these are included in the Annual Investment Strategy. The indicators for 2011/12 include the implications of the borrowing for the Gloucestershire Airport to finance the runway safety project, borrowing to support the financing of the refurbishment of the Everyman Theatre, borrowing to support the redevelopment of St Pauls by CBH and the implications on financing resulting from moving to International Financial Reporting Standards (IFRS) which require all forms of borrowing, including leases, to be included in the prudential borrowing limits. I am comfortable that the treasury related decisions, as measured by these indicators, are in accordance with the prudential code. The Council's Minimum Revenue Position policy statement supports the borrowing decision in respect of the Airport and the Everyman.
- 2.19** **I am satisfied that, given the prevailing low interest rates, the assumptions for budgeting for investment interest and potential Icelandic bank losses are reasonable and follow Government advice. In addition, given endorsement of the lending list by ArlingClose, the slight relaxation in deposit terms in the Annual Investment Strategy are appropriate and represent a tolerable increase in risk.**

#### **Income, Charging and Demand.**

- 2.20** The Council continues to provide a number of demand led services e.g. car parking, land charges, leisure@cheltenham etc. The estimates for 2011/12 have been prepared on the advice of the professional Officers who have taken a realistic view about income levels, taking into account the continued impact of the economic downturn. Income from development control and land charges remains suppressed and income budgets for 2011/12 have been prepared on this basis. No assumptions have been made in the MTFs in respect of improving income levels. Given the uncertainty over how long the downturn will last this is a reasonable approach to take.
- 2.21** Car parking income remains one of the Council's largest demand led risks. Given the sustained shortfall in car parking income revenues over recent years, the budget estimates for 2011/12 allow for a reduction in target by £500k and reflect the freeze in car parking charges.
- 2.22** The Council operates in some highly competitive areas where fees are subject to commercial decisions which are supported by benchmarking against the competition. The Council needs to be able to respond to the market and be 'business like' and as such, although fees and charges are proposed in the final budget, changes to fees and charges are not restricted to the annual budget meeting. This is particularly relevant in light of the MTFs funding gap projections and the work of the 'Bridging the Gap' (BtG) Programme which includes work streams for closing the funding gap from increasing income by increasing prices above inflation or the identification of new income streams, taking into account comparable charges with neighbouring authorities. Given the lack of Government funding, whilst being mindful of the impact on customer in the current economic climate, it is more important to maximise income levels and, as such, service managers need the flexibility to vary charges to maintain demand for services.

2.23 Over a number of years, the Council has benefited from sizeable amounts of Housing and Planning Delivery Grant (HPDG). As a result of the funding squeeze, this will no longer be received by the council. As such, given the desire to retain the current level of planning service, the Cabinet have built £130k into the base budget to cover the recurring cost of funding the residual posts being historically funded from this source.

2.24 **Overall, I am satisfied that the estimates for income are based upon reasonable assumptions made by Officers and which take into account the sustained underperformance of car parking income targets recognising the difficulty in predicting income streams in the current economic climate. Monitoring of income levels will be undertaken during 2011/12 and reported in the quarterly budget monitoring reports.**

### 3. Housing related budgets

#### Housing Revenue Account

3.1 The Council's Housing Revenue Account (HRA) capital programme and revenue account have been prepared in consultation with Cheltenham Borough Homes (CBH). They are in line with housing rent limits, and take into account the full year financial impact for both the General Fund and the HRA of the additional borrowing consents received to support meeting the decent homes standard.

3.2 The estimates take into account a revised estimate of the charges to CBH for Council services which continue to be refined annually to take account of the management agreement. The estimates have been drawn up based on the latest information available concerning relevant subsidy levels, expected mid year Capital Financing Requirement, and borrowing capacity (item 8 debit and credit calculations).

#### Housing and Council Tax Benefit.

3.3 The housing benefit regulations are changing and given the potential for unemployment levels to rise as a result of the government approach to tackling the deficit, the budget for benefit activity may become a higher risk area. This is one of the few areas where external audit is required to undertake a separate annual audit of subsidy, payments and claims work. As Members will be aware, given the size of the financial amounts involved (c£40m), this is always an area of concern in preparing budget estimates. The Council continues to improve its standards and monitoring procedures in this area. Sound processes are in place to manage this complex area of activity which supports accurate budgeting and control. Based upon the year end position for 2009/10 and the monitoring of the current year's budget I believe the budgets (as far as can be predicted in this very volatile area), are sufficient to fund predicted activity levels.

3.4 **In summary, the estimates for the HRA and Housing General Fund related budgets, as far as can be reasonably determined, appear to be robust.**

### 4. Finance Settlement

4.1 The estimates for 2011/12 provide for the financial settlement notified to the Council by the Department for Communities and Local Government (DCLG) resulting from the Government's Comprehensive Spending Review (CSR10) providing estimates for the Government support for the 2 year period 2011/12 to 2012/13.

4.2 In the coalition Government's comprehensive spending review in October 2010, the Chancellor of the Exchequer announced that councils would receive a cut in government support of 7.1% in each of the next 4 years, a total of 28.4% (which was broadly in line with the assumptions for a reduction in government support modelled in the Council's MTFS). The actual settlement results in a cash reduction in government support (revenue support grant plus share of redistributed non domestic rates) of £1.09m, a cut of 15.16% in 2011/12 followed by a further cash cut of £579k (9.57%) in 2012/13. Cumulatively, this equates to a 23.86% cash cut over 2 years.

- 4.3 The Council accepts that, through the reduction in government funding, it will play its part in tackling the level of national debt. However, in order to be able to respond appropriately and plan effectively, the Council needs clarity over the actual scale of cuts and timescale. The delays and lack of clarity over the size of the cuts have created a great deal of uncertainty which has added further pressure to a very difficult budget setting process. The Council has made representation to that effect through the response to the provisional settlement in December 2010 and via Martin Horwood MP. In particular, the ministers new measure of government support, 'revenue spending power' (CBC's spending power is reduced by 6.03% in 2011/12), the Council had not been notified that it was basing its estimates on this new measure until the provisional settlement in December.
- 4.4 Some Members have raised concerns over the lack of published papers prior to the Cabinet and council tax setting meeting making it difficult for members to submit questions. The lateness of this year's settlement presented particular difficulties which will hopefully not be repeated. However, in agreeing the budget strategy for 2012/13 budget I will review the timetable and budget setting process with members to ensure that members concerns are addressed.
- 4.5 In addition, the Council anticipated that it would receive funding levels for the life of the Parliament. The lack of clarity over future years adds greater uncertainty to the MTFs forecasting and planning. The MTFs projections now assume a further 5% cut in cash grant for the following 2 years.
- 4.6 The transfer in responsibility for administration of concessionary fares from district councils to the higher tier from 1<sup>st</sup> April 2011 takes away the uncertainty of costs and funding pressures from the Council. Despite responding to the settlement consultation the final settlement removed the total costs of £2.2m for concessionary fares including the local discretions i.e. 9:00am to 9:30am and taxi vouchers. As Section 151 Officer I have met, along with the Cabinet Member for Finance, Martin Horwood MP to lobby for the retention of the estimated £171,000 cost of the local discretions funded by the Council. Whilst there may be a possibility that this may be rectified in the future no assumption has been made as such in the budget proposals.
- 4.7 **Based upon the CSR10 settlement, the projections in the MTFs allowing for further reductions beyond the next 2 years is a prudent approach. Based upon the uncertainty over the outcome of any lobbying over the discretionary element of concessionary fares, the budgeting approach is sensible.**

## **5. Medium Term Financial Strategy (MTFS) and strategy for 'Bridging the Gap (BtG)'**

- 5.1 Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme. The Council produces a Medium Term Financial Strategy (MTFS) which assists in its planning and preparing for future potential liabilities. The budget proposals include an updated MTFS which is based on known or expected expenditure plans for 2012/13 onwards, together with a number of assumptions over the next 5 years. The MTFS predicts the funding gap for the next 5 years modelled using various funding scenarios.

### **'Bridging the Gap' (BtG)**

- 5.2 The Council's 'Bridging the Gap (BtG)' programme outlines the Council's strategy for closing the funding gap which has undoubtedly helped to strengthen the Council's approach to longer term financial management. The BtG programme board meets monthly with the Cabinet Member for Finance which ensures that tackling the budget problem remains high on the Council's agenda. This approach has meant that in approaching the 2011/12 budget, the Cabinet have avoided salami slicing to close the funding gap. The BtG programme has delivered savings and additional income to meet the funding gap of £2.8m for 2011/12 and £3.8m over the period of the MTFS. My assessment of the progress and robustness of the BtG work streams is as follows:

### **Procurement savings**

- 5.3** The budget proposals for 2011/12 and the MTFS do not now include a target from procurement savings. Whilst a programme of procurement projects/savings has been identified, given the pressure on procurement resources and the difficulty in turning procurement savings into recurring cashable savings, it was agreed that the target should be removed from the 2011/12 budget and MTFS. However, SLT have agreed that a procurement target should still be in place outside the MTFS and that SLT will work with the Procurement Officer to translate procurement activity into cashable savings, to be monitored by the BtG programme. This is a completely reasonable position to take given that the Council may have exhausted its own individual purchasing power in driving out procurement savings and the impact of rising prices. However, looking ahead, the GO shared Enterprise Resource Planning (ERP) system should help to deliver future shared procurement savings.

### **Asset Management:**

- 5.4** Significant progress has been made in the delivery of the Asset Management Plan. Some key successes include the sale of some buildings that were surplus to Council requirements generating £638k of capital receipts which were used to deliver a £75k annual saving to the revenue budget and support the financing of the capital programme. Work on reducing the cost of utilities in buildings through optimising fuel usage will also make a valuable contribution over the period of the MTFS. The recent commencement of the process of sale and redevelopment of North Place and Portland Street car park could help to pump prime investment into the public realm.

### **Shared services:**

- 5.5** The Council has made significant steps forward in progressing the shared services agenda. The Council now successfully shares legal and building control services with Tewkesbury Borough Council and works collectively on joint core strategy work. The partnership with Cotswold and West Oxfordshire for audit is also, whilst still in its infancy, gaining momentum. The sharing of an ERP and the establishment of a shared services for Finance and Procurement, HR and payroll services will follow shortly. It is evident that the work to implement shared services successfully is significant and should not be underestimated. The GO project is clearly a critical project since it provides the technology platform for other shared services and the Council must ensure that resources are not diverted from its implementation. Similarly, the establishment of a shared waste service with Tewkesbury Borough Council and rolling out the new waste and recycling service will require significant organisational effort.

### **Systems thinking / Service Reviews:**

- 5.6** Some progress has been made in a number of areas resulting in savings targets for ICT and revenues and benefits being built into the budget for 2011/12. Translating systems thinking interventions into savings often requires a service restructure and the work required to fully deliver saving should not be underestimated. The early conclusions from initial systems thinking work has been very encouraging with suggestions that significant improvement in services can be achieved at the same time as making savings. It is important for the Council to learn from these early systems thinking / service reviews and should roll out the systems thinking approach across the organisation so that all services benefit.

### **Commissioning:**

- 5.7** Now that Members have approved the decision to establish the Council as a commissioning authority, it needs to ensure that the programming of activity dovetails in with other BtG work streams and the timing of the commissioning programme is logical e.g. drive out systems thinking savings before commissioning. In approaching commissioning, services need to understand more clearly how they compare with other councils and other providers. Looking ahead, I am committed to working with SLT to begin to undertake 'value for money' assessments for all services and to use the budget working group of members to facilitate the debate over what level of service the organisation wants and can afford in future.

**'One off' staffing costs**

- 5.8 Members need to be mindful that, in making decisions to reduce staffing numbers, savings may not be delivered immediately since one off redundancy / pension costs may offset savings initially. The level of the General Reserve is not sufficient to meet significant one off costs. In the final budget proposals, many of the savings have been delivered as a result of vacancies which have been actively managed across the organisation. Careful workforce planning and vacancy management has been key to ensuring minimal impact on the General Reserve in 2011/12. Looking ahead, SLT need to ensure that they work collectively to look for redeployment opportunities to avoid redundancy costs and opportunities to manage workforce levels down in line with assessment of future BtG and commissioning work plans.

**Future approach /capacity**

- 5.9 In developing the BtG programme, SLT have collectively supported both the Cabinet and I in developing options for consideration in meeting the funding gap for 2011/12. This approach has been successful but has been extremely time consuming and the options now being suggested are often politically very difficult since they inevitably result in a cut or loss in service and are quickly rejected. Given the significant level of cuts required and the difficulty in avoiding hard decisions Members are urged to develop cross party consensus on more significant issues, possibly through the cross party budget working group.
- 5.10 The BtG programme contains some 93 separate work streams. Some of these will be delivered as a result of setting the budget but some still require significant effort and energy to deliver in both 2011/12 and future years. As part of the monitoring of the programme, officers will be undertaking more effective risk assessments of individual work streams to highlight any delivery issues. In tackling future year's budget gaps, Members need to be mindful not to add significantly to the programme of activity and to focus attention on fewer big ticket items. Opportunities to maximise income should be considered.
- 5.11 In moving to a commissioning authority, the council set aside £80k to support the significant amount of business change that the council is undertaking. SLT have undertaken some work on resource planning which should inform the council on where to direct this valuable source of funding.
- 5.12 **Overall, the BtG programme continues to be an effective, collective approach for the identification and delivery of the savings and additional income required to bridge the funding gap for 2011/12, without significant impact on service levels or reverting back to 'salami slicing'. However, Members need to be mindful of the capacity to deliver other significant projects / work streams without additional resource.**

**Level of council tax increase**

- 5.13 The final budget proposals assume a council tax freeze for 2011/12 which is in line with the Government aspiration. This will cost the Council c£197k in lost income based on the originally planned council tax increase of 2.5%, but this will be offset by specific grant from the government, guaranteed for 4 years. The alternative approach would have been to increase council tax up to the government cap, for which a new regime is being developed based on a maximum revenue spend (for CBC this is estimated at £15.1m, some £0.9m more than the £14.25m proposed budget) At a council tax increase of 2.5%, the Council would have been no better off since it would have lost the £197k additional grant and would still have had to make £2.9m of savings. At a council tax increase of 5% (which is unlikely to have been unacceptable in the current climate), the council would have only been around £197k better off. Any increase above 5% up to the new expenditure cap would clearly not be acceptable or worth considering.
- 5.14 The MTFs models the 4 years of support for freezing the council tax and the impact of its withdrawal. Over this period, pay and price level will increase which could be offset by future potential tax increases. Members need to be mindful in considering future council tax increase of the impact on the MTFs and avoid opening up the funding gap further in future.



- 5.15 Given the support offered by the government in freezing council tax, the decision to freeze council tax is reasonable.**

**Asset Management Plan (AMP) and Capital Strategy (CS)**

- 5.16** Sound asset management planning is a key activity and it is increasingly important to ensure that the council maximises the use of its asset portfolio in a period of reducing resources. The localism bill is likely to result in additional work and activity which promotes the transfer of assets to the third sector as a way of reducing the burden on councils e.g. through the publication of assets.
- 5.17** As outlined, the AMP has now been approved which sets the general direction and parameters in which asset management decisions can be taken. This was a major step forward, however the financing of the Council's aspirations for its assets e.g. Town Hall, Art Gallery & Museum and Pittville Park, as well as public realm as part of the Civic Pride proposals, has yet to be fully developed. The next development step is to supplement the AMP with a fully costed "shopping list" of aspirations for the Council's property portfolio including capital and revenue implications and the identification of options for funding. This will provide Members with a clear indication of what can be afforded from existing resources / future capital receipts and identify the potential level of prudential borrowing that may be required to fulfil these aspirations.
- 5.18** The Council is not yet in a position where it has enough money built into the base revenue budget to fund the annual maintenance budget (circa £1.4m) for the property portfolio. As a result, an incremental increase in revenue contribution to the Planned Maintenance Reserve used to fund building maintenance is factored into the MTFs. However, given the severity of the settlement the planned increase for 2011/12 has been deferred and the programmed maintenance for 2011/12 has been contained within the revised affordability envelope. Co-incidentally the decision to support the Everyman Theatre in their redevelopment proposals have resulted in the transfer of the maintenance liability from the Council to the theatre as a result of the move to a full repairing lease. As a one off decision this does not significantly impact on the overall strategy to increase annual contribution levels to support the annual maintenance programme but I would advise that this should not become regular practice unless the Council takes significant steps to reduce its property portfolio and maintenance liability.
- 5.19** The budget addressed the immediate need to top-up pump priming to support the Civic Pride Initiative in that, through the re-allocation of reserves, the Civic Pride reserve will increase to £1.1m. This will be used to support the initial works to bring sites to market, pump prime public realm improvements, plus fund the delivery vehicle.
- 5.20** The Prudential code allows councils to undertake non-supported borrowing to meet its objectives if this is considered to be prudent and affordable. Although a potential option, it is difficult to see how prudential borrowing can be considered at this stage given the squeeze on public finances.
- 5.21** The budget includes prudential borrowing from the Public Works Loans Board to fund the investment in the Runway Safety Project for Gloucestershire airport and restoration works to the Everyman theatre.
- 5.22** In line with the decision made by the council in October 2010 the council will, along with Gloucester City Council borrow £1.2m from the Public Works Loans Board for onward lending to the airport and to provide a temporary borrowing facility of up to £350k to carry out the runway safety works. The borrowing is to be repaid by the airport company and, as such, there is no cost to the council tax payer.
- 5.23** The Everyman Theatre funding proposal involves £1m of prudential borrowing from the Public Works Loans Board for onward lending to the theatre to fund the refurbishment works. The development of the funding mechanism and signing off of the business plan was delegated by Council in February 2010 the Section 151 Officer. As such, following the renegotiation of the lease, agreement of a funding agreement and finalisation of the business case, I have signed off the necessary paperwork to enable the theatre to now progress the scheme. The decision has been included in the Cabinet papers for 8<sup>th</sup> February 2011 and concludes that the business case

is robust enough to ensure that the Everyman Theatre can repay the loan so that there is no cost to the council tax payer. As such, the budget includes the necessary prudential borrowing to facilitate the loan.

- 5.24** The Cabinet is committed to completing the AG&M subject to a bid to the HLF for complementary funding being successful and a robust business plan for future operations. The Council is being asked to underwrite the funding shortfall for the project, currently estimated at £922k. Should this materialise, the Council may need to re-assess existing funding streams, use of any future capital receipts or the potential for prudential borrowing. In considering the funding mechanism for any underwriting, the Council needs to evaluate the alternative use of any future capital receipts i.e. the potential to make treasury management decisions (such as repayment of debt premiums), which could help address the projected funding gaps by reducing cost of premium write-off in the revenue budget and avoid future cuts in services. Given the MTFS projections it is difficult see how the council could fund the cost of prudential borrowing unless the business plan for a new building, the outcome of a commissioning exercise for leisure or cuts elsewhere generated enough savings to finance the costs of financing borrowing.
- 5.25** **The assumptions for financing the capital programme and the planned maintenance programme in the 2011/12 budget are reasonable. In moving forward, the Council must continue to ensure that it maximises the use of, and minimises the cost of, its asset portfolio.**

## **6. Assessment of Reserves**

- 6.1** The requirement for financial reserves is acknowledged in statute. Section 32 and 43 of the Local Government Finance Act 1992 requires billing authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 6.2** It is the responsibility of the local authority and its Section 151 Officer to maintain a sound financial position. External auditors also have a key responsibility in reviewing the arrangements in place and may, in the course of their duties, form an opinion on the level of reserves taking into account their local knowledge of the authority's financial performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities.
- 6.3** Within the existing statutory and regulatory framework it is the responsibility of the Section 151 Officer to advise the authority on its level of reserves. Councillors, on the advice of the Section 151 Officer, should make their own judgements on such matters taking into account all the relevant local circumstances. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFS, its wider financial management, and other associated risks over the lifetime of the plan. The Secretary of State has reserved powers to set a minimum level of reserves to be held by councils if required.
- 6.4** The final budget proposals include a schedule of the reserves held by the Council, stating their purpose together with actual and proposed changes between years. These are reviewed on a regular basis and have been again in the process of finalising the budget proposals.
- 6.5** The MTFS provides longer term projections of reserves indicating a gradual reduction in the level of reserves over the next 5 years. This reflects the use of some of the one off reserves which are currently set aside to fund specific spending plans e.g. pensions, Art Gallery and Museum development and capital and maintenance programmes. Over this period the annual revenue budget to fund the 20 year maintenance programme will increase to around £1.4m per annum which will be more in line with the annual spend, mitigating the reduction in the maintenance reserve currently used to finance the programme. At the end of the 5 year period of the MTFS, the total level of reserves, including the General Reserve, is estimated to be circa £5.2m 2015/16. The Council may, of course build up additional earmarked reserves to meet future spending plans which are not currently identified.

- 6.6 Nationally the Secretary of State for Communities and Local government, Eric Pickles, is advocating that councils use reserves to support budget setting. Aside from the General Reserve, the reserves held by the council are held for specific purposes. Historically, as Section 151 Officer I have argued maintained that using reserves in this way is not a sustainable approach and, despite the suggestion, have not changed my view.
- 6.7 In assessing the level of the General Reserve, the Council has historically placed reliance on the degree and protection provided by earmarked reserves. Clearly there is an opportunity cost to holding reserves and I undertake a regular review to ensure that the Council does not hold money in reserves unnecessarily. This has resulted in a reduction in the number of specifically earmarked reserves over recent years. This had the potential to increase the risk of having to use the General Reserve but, in practice, has not caused an issue and is therefore a reasonable strategy. Money held in reserve ties up resources which could be spent on one off initiatives. However, conversely, every £100,000 held in reserve earns approximately £500 for the Council which is budgeted for in the revenue estimates as treasury management income.
- 6.8 The Council has previously agreed to aim to maintain its General Reserve at approximately 10% of net operating expenditure, or a level between £1.5m and £2m. The budget proposals for 2011/12 include the re-alignment of reserves to maintain the size of the General Reserve at c£2m. Although the Council has managed to deliver services without calling in the General Reserve, there is a potential for it to be called upon given the considerable period of change resulting from the need to drive out savings and the potential to need to support the commissioning programme of activity with one off money. There are other pressures which are to be considered in a confidential report to council which may put further pressure on the General Reserve. In addition, although measures are in place to address the projected overspend 2010/11, the year has yet to conclude and the outturn yet to confirm that the strategy has worked without needing to call on the General Reserve.
- 6.9 The delivery of the budget for 2011/12 and many of the Bridging the Gap initiatives which support it, has required 'up front' investment. The revenue budget is now extremely tight and there is less potential to deliver underspends, particularly in the current economic climate. In order to continue to deliver future savings as quickly as possible, it is important to have access to one off money. Therefore, I would recommend that Members take every opportunity to use further one off windfalls i.e. either future budget underspends or windfall funding, to top up the General Reserve. My advice would be that the level of General Reserve should be maintained toward the top end of the range £1.5m - £2m to fund future up front investment costs.
- 6.10 The triennial revaluation of the pension fund in 2010 resulted in an increase in the contribution rate. Historically the impact of the increase has been managed and phased in through the use of the pension reserve, which is now exhausted. However, given that the budget allows for the increasing in contribution rates within the base budget, no top up of the pension reserve is required.
- 6.11 **Overall, I am satisfied that the projected levels of reserves are adequate for the forthcoming year and that the balance of reserves held is about right. However, there are still some uncertainties over the duration of the MTFs, particularly in respect of funding the aspirations for the Council's property portfolio.**

## 7. Budget setting and monitoring.

- 7.1 In response to the reduction in public spending, the Council supported the budget consultation exercise which was undertaken over the summer of 2010. Whilst not perfect, this proved to be a valuable exercise with both positive feedback from Members, officers, residents and the local media. It provided some important indicators to the Cabinet as to where to look in making their decision for 2011/12 budget. Looking ahead, Members need to consider how it can build on this work to inform decisions in respect of outcomes to be commissioned by the Council in future.
- 7.2 The Council has a good track record in budget setting and financial management which is

recognised by the council's auditors. It has a history of delivering services within budget and has a regular budget monitoring process which is reported to Cabinet and ensures that corrective action can be taken to address any in year financial issues where appropriate, as was the case in the current year 2010/11.

- 7.3 The Council has end of year procedures in place for budget under/overspends which are actively designed and communicated to ensure openness and positive financial management in removing the temptation to spend unnecessarily at the year end in order to use up unspent budgets.
- 7.4 Sound financial management is key to the success of the organisation and Officers continue to look at ways of improving financial management information. Training in both the use of the system and in budgetary control takes place on an on-going basis.

## 8. Corporate Risk Management

- 8.1 The Council's work around risk management continues to develop. Divisions and project and programme managers regularly review their individual risk registers and continue to improve procedures / take action to mitigate risk where possible. The Council's corporate risk register is now assessed monthly by SLT and reported quarterly to Cabinet.
- 8.2 Whilst the Council has made some progress in tackling some of the key risks or recognises the need to undertake work in the near future to deal with others, it continues to be challenged by the issue of capacity. The Senior Leadership Team are tackling capacity issues through the development of resource planning with a view to focusing scarce resource and money into high priority work.
- 8.3 The Council provides a wide range of services which should be re-examined in the light of reducing resources. The Council's decision to become a commissioning authority will help to focus the Council on outcomes for the residents given the financial outlook.
- 8.4 The budget proposes a reduction in the level of staff training which has the potential to impact on staff professional capability. However, given increased sharing of services and expertise and new methods of training e.g. e-learning this does not propose an impact on corporate governance arrangement. However, in considering the budget proposals, the Audit committee were concerned that project management training remained a high priority despite the proposed cuts in training budgets.
- 8.5 **I am satisfied that the budget, as far as is possible within limited resources, aims to tackle some of the key risks in the corporate risk register and poses no significant increase in risks.**

## 9. Conclusions

- 9.1 The Local Government Act 2003 requires the Section 151 Officer to report to Council on the robustness of the budget estimates and the adequacy of reserves. This report aims to address this requirement and draws together a number of challenges and issues that are likely to face the Council in future years. The key issues and messages which require Members consideration in approving the budget proposals for 2011/12 include the following:

- The impact on the Council's funding levels as a result of the Governments response to the management of the level of national debt.
- The impact of the recession on income levels for services and investment income levels resulting from sustained low interest rates.
- The measures to deal with the exposure to Icelandic banks built into future financial projections.

- The funding implications of the AMP and future capital and maintenance programmes for Council owned assets.
- The capacity required to deliver the 'BtG' programme work streams for closing the funding gaps.
- The need to develop cross party working in light of the public sector funding squeeze in order to seek buy-in to more difficult decisions.
- The need to maintain the reserve levels to fund future 'one-off' costs given the pressure on the General Fund budget.
- The overall financial standing of the Council, despite the challenges ahead, is currently sound.
- The Council has a reasonable level of reserves.

**9.2** Members are asked to consider the advice provided in this report, in line with statutory duties placed on Members, based upon my assessment of the robustness of the overall budget and estimates in the Medium Term Financial Strategy.

<b>Report author</b>	<b>Mark Sheldon, Chief Finance Officer</b>  Tel. 01242 264123;  <i>e-mail address <a href="mailto:mark.sheldon@cheltenham.gov.uk">mark.sheldon@cheltenham.gov.uk</a></i>
<b>Appendices</b>	None
<b>Background information</b>	1. Final budget proposals 2011/12

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## Cheltenham Borough Council

**Cabinet – 8 February 2011**

**Council – 11 February 2011**

### **General Fund Revenue and Capital - Revised Budget 2010/11 and Final Budget Proposals 2011/12**

<b>Accountable member</b>	<b>Cabinet Member for Community Development and Finance, John Webster</b>
<b>Accountable officer</b>	<b>Chief Finance Officer, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>All scrutiny committees</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<b>This report summarises the revised budget for 2010/11 and the Cabinet’s final budget proposals for 2011/12.</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Note the revised budget for 2010/11.</b></li> <li><b>2. Approve the final budget proposals detailed in this report and supporting appendices, including a proposed council tax for the services provided by Cheltenham Borough Council of £187.12 for the year 2011/12 (a 0% increase based on a Band D property).</b></li> <li><b>3. Approve the growth proposals, including one off initiatives at Appendix 3.</b></li> <li><b>4. Approve the reserve re-alignments at Appendix 8, as outlined in section 10.</b></li> <li><b>5. Approve the proposed capital programme at Appendix 9, as outlined in Section 11 and note the intention to fund the replacement of vehicles and recycling bins through prudential borrowing where deemed appropriate.</b></li> <li><b>6. Approve the proposed Property Maintenance programme at Appendix 10.</b></li> <li><b>7. Note the updated Medium Term Financial Strategy at Appendix 11 including the impact of the ‘bridging the gap’ programme on the forecast budget gap.</b></li> <li><b>8. Approve a level of supplementary estimate of £100,000 for 2011/12 as outlined in section 15.</b></li> <li><b>9. Approve the creation of the budget working group, with 2 members nominated from each overview and scrutiny committee, to support the process of developing the budget process and improving scrutiny as outlined in Appendix 13.</b></li> </ol>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Mark Sheldon.</b></p> <p><b>E-mail: <a href="mailto:mark.sheldon@cheltenham.gov.uk">mark.sheldon@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264123</b></p>
<b>Legal implications</b>	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail: <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a></b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>In the spirit of building on our positive industrial relations environment, the recognised trade unions received a budget briefing on 9<sup>th</sup> December 2010 and continue to be updated. The final budget proposals (Appendix 4) details the savings generated from a number of restructures that have already taken place this financial year. Dialogue with the recognised trade unions will continue in order to ensure that the potential impact on employees are kept to a minimum and in doing so help to avoid the need for any compulsory redundancies. Many of the fte (full time equivalent) reductions shown below will be as a result of restructures, and the Council's policies on managing change and consultation regarding any redundancies will be followed.</p> <p>On going, it is important that capacity is carefully monitored and managed in respect of any reductions on fte and reduced income streams as the reductions represent a 5.3% reduction in fte capacity overall.</p> <p>The budget proposals include the following implications for staff:</p> <p>Total reduction in staffing = 31.9fte (full time equivalent) of which 17.8fte are vacant posts, 6.6fte are redundancies, 0.5fte is shared, 4fte are to be confirmed, and 3fte seasonal therefore not required. A further planned reduction of 7.4fte will take place in 2012/13.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264355</b></p>



**Key risks**

An overall risk assessment of the final budget proposals is contained in Appendix 1 and the risks associated with each of the proposals for bridging the funding gap are identified in Appendix 4.

During the current year, the council through its budget monitoring predicted an overspend of £800k, much of this as the result of income streams not matching target levels. There is a risk that 2011/12 will see a similar pattern of income reduction particularly if as predicted public sector cuts, inflation and other pressures reduce household incomes and the predicted economic recovery is slow. The council will need to satisfy itself that the income levels in the budget are robust and that regular budget monitoring identifies any issues at an early stage so that remedial action can be taken.

The council had been planning for reductions in funding and through its bridging the gap (BtG) programme had been planning a range of initiatives which would reduce expenditure over the life of the Medium Term Financial strategy (MTFS). As outlined above, earlier in the year the coalition government announced their intention to reduce public sector expenditure and indicated that there would be a front loading to this i.e. greater reduction in years one and two. There is now a real risk therefore that the profile of reduction in public sector grant support will impact on a planned response to the medium term financial savings, as the council needs to make cuts now and cannot wait for shared services and other commissioning initiatives to deliver their planned savings.

The government have announced the settlement for future years which helps with resource planning but it means that the council will face budget cuts in future years, and will need to identify savings to meet these cuts. Although plans are in place to meet some of these savings there are still significant shortfalls in future years and the council will need to identify how it will meet these savings targets. The council has agreed a commissioning approach but there is a risk that in delivering immediate savings there is insufficient resources to work up plans for future years. The council will need to prioritise the commissioning work plan to ensure that those areas which have the greatest opportunity to deliver savings are reviewed first.

As the council moves towards other delivery models for service provision e.g. shared services, service level agreements or contracts there is a risk that the savings which need to be found in future years fall on fewer service areas and potentially have a disproportionate impact on the retained organisation. When commissioning services the council will need to be mindful of its budget situation and consider how contracts can be flexible to new demands.

Some of the budget proposals will impact directly on the public. There is a risk that if the communication of these proposals is not handled sensitively then there will be public opposition to them. If these proposals are accepted then there will need to be a clear communication plan with those service users about the cuts and what other alternative arrangements, if appropriate, are being made.

The audit committee at its meeting in January have confirmed that the budget does not propose any cuts which have the potential to impact on corporate governance although were concerned that project management training remained a high priority despite the proposed cuts in training budgets.

<b>Corporate and community plan Implications</b>	The aim of the final budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in government funding.
<b>Environmental and climate change implications</b>	The final budget contains a number of proposals for improving the local environment, as set out in this report.

## 1. Introduction

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which is part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2011. The consultation period took place between 22nd December 2010 to 22nd January 2011 and this report sets out the final budget proposals for 2011/12.

## 2. Background

- 2.1 Following consultation on the interim budget proposals, the Cabinet is required to draw up its firm budget proposals, having regard to the responses it has received during the consultation period. This report reflects the Cabinet's response to such comments.
- 2.2 For 2011/12, the coalition Government expects the average council tax increase to be 0%.

## 3. 2010/11 Revised Budget

- 3.1 The budget monitoring report to the end of August 2010, considered by Cabinet on 26<sup>th</sup> October 2010, identified a potential projected overspend of £800k for the current year, 2010/11. In response, the Senior Leadership Team implemented a recruitment freeze and reviewed all unspent supplies and services budgets. As a result of the action taken, the revised budget for 2010/11 which includes projected savings in employee related and supplies and services budgets is now projected to have managed the projected overspend to zero.

## 4. Finance Settlement including Concessionary fares funding

- 4.1 The Government's comprehensive spending review (CSR10) in 2010 determines the level of funding for the whole of the public sector for the period 2011/12 to 2012/13. The following table summarises the headline final figures for the level of Government support to the Council released on 31<sup>st</sup> January 2011.

	2010/11 £m adjusted	2011/12 £m	2011/12 £m adjusted	2012/13 £m
Revenue Support Grant	1.118	1.440	1.440	
Cheltenham's share of Redistributed Business Rates	7.701	4.658	4.658	
Formula Grant	8.819	6.098	6.098	5.473
less formula grant adjustment e.g. concessionary fares	(1.631)	-	(0.046)	
Adjusted formula grant	<b>7.188</b>	<b>6.098</b>	<b>6.052</b>	<b>5.473</b>
Actual cash (decrease) over previous year		(1.090)		(0.579)
% cash cut		<b>(15.16%)</b>		<b>(9.57%)</b>

- 4.2** The final figures for 2011/12 show an increase of £21,922 over the provisional figures announced in December 2010, and for 2012/13 a reduction of £61,925.
- 4.3** In the coalition Government's comprehensive spending review in October 2010, the Chancellor of the Exchequer announced that councils would receive a cut in government support of 7.1% in each of the next 4 years, a total of 28.4%. This was broadly in line with the assumptions for a reduction in government support modelled in the council's Medium Term Financial Strategy (MTFS) although the council anticipated some front loading and planned for a 10.7% cut in 2011/12.
- 4.4** The actual settlement is very different. The council will receive a cash reduction in government support (revenue support grant plus share of redistributed non domestic rates) of £1.090m, a cut of 15.16% in 2011/12 followed by a further provisional cash cut of £579k (9.57%) in 2012/13. Cumulatively, this equates to a 23.86% cut over 2 years. Funding levels for the following 2 years i.e. 2014/15 and 2015/16, have yet to be announced but it is likely that they will continue to impact on the council's finances detrimentally.
- 4.5** In announcing the provisional settlement in December 2010, the local government minister Eric Pickles referred to a new measure of government support, 'revenue spending power'. Rather than measuring cash changes, this measures the total resources available to the council including council tax revenues and one off grants. In declaring that no council would be any worse off than 8.9% he was referring to the revenue spend rather than actual cash position. Cheltenham's calculation of this 'revenue spending power' is a decrease of 6.03%.
- 4.6** The provisional finance settlement includes the removal of £2.2m of funding for free bus service for the over 60's concessionary fares scheme as a result of the transfer of the responsibility to Gloucestershire County Council with effect from 1<sup>st</sup> April 2011. As a result, the council's top up of annual government funding for the scheme, estimated at £1m, will **NOT** be released back to the council. This will leave the council with no resources to either top up the county's proposed statutory concessionary fares scheme i.e. the current discretionary 9.00 – 9.30 period of use funded by the council or to fund the existing transport schemes which operate.

## **5. The Cabinet's general approach to the 2011/12 budget**

- 5.1** The Cabinet's budget strategy for 2011/12, approved at a meeting on 26<sup>th</sup> October 2010, included an estimate of £2.6m for the 2011/12 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 10.7% cut in government support. This was subject to the outcome of the Comprehensive Spending Review (CSR10) and assumed a funded council tax freeze. The council only received notification of its actual grant on 31<sup>st</sup> January 2011 and it was worse than anticipated. The final assessment of the budget gap for 2011/12, based on the detailed budget preparation undertaken over recent months and the actual financial settlement is £2.808m.
- 5.2** The settlement was actually £223k worse than anticipated and, given the delay in its publication, presented the Cabinet and the council's Senior Leadership Team (SLT) with an incredibly difficult task in responding to deeper and more rapid cuts.
- 5.3** In preparing the final budget proposals, the Cabinet and officers have made the following assumptions:
- Prepared a standstill budget projection under a general philosophy of no growth in levels of service with the exception of a 6 FTE planning posts, costing £130k annually, which have now been built into the base budget. These posts had previously been funded from Planning Delivery Grant (PDG) which has been withdrawn as part of the overall CSR10 settlement.
  - Provided for inflation for contractual and health and safety purposes has been allowed at an appropriate inflation rate where proven.

- Not budgeted for pay inflation for 2011/12 or 2012/13.
- Increased income budgets based on an average increase in fees and charges of 2.5% with the exception of property rents which have not been inflated but are now set in line with rent projections based on property leases. The Cabinet intend to freeze car park charges at current year's levels which have been shown as growth within the budget proposals.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.
- Removed the central savings target for procurement in recognition that these will be targeted through the GO programme.
- Built into the base budget for 2011/12, the cost of the final revised single status pay structure following the transition period and conclusion of the appeals process.
- Estimated the financial impact of the triennial revaluation by the pension fund actuary in 2010/11 resulting in increased annual costs of £27,700 wef from 1st April 2011.
- Allowed for a council tax freeze, in line with the coalition Government's request, on the basis that it will be funded through a specific grant.

#### **5.4** The key aims in developing the approach to the budget were to:

- Protect frontline services, as far as possible
- Reduce costs by the development of longer term plans for efficiencies over the period of the Medium Term Financial Strategy (MTFS) including work on shared services, systems thinking, reducing the cost of assets and energy usage, and the new approach to commissioning services.

#### **5.5** There has been considerable activity during the course of the year to develop this longer term strategy for closing the funding gap. The Cabinet have worked with officers to develop the 'Bridging the Gap (BtG)' programme using the BtG group supported by the Senior Leadership team. The Cabinet's budget proposals for closing the budget gap in 2011/12, the result of this work, are detailed in Appendix 4 and include an assessment of the impact of these proposals over the period of the MTFS, split into:

- Decisions already made by council and therefore built into the base budget, totalling £732k.
- Proposals yet to be agreed by council which are not built into the base budget, totalling £2,076k

#### **5.6** The Cabinet and SLT have been anticipating having to make significant savings and have been actively managing vacancies and staffing levels in order to minimise the impact of service reviews, system's thinking and savings initiatives and cuts. As a result, the reduction in staffing numbers (31.9 full time equivalents) outlined in the budget proposals have been achieved at minimal cost to the taxpayer.

#### **5.7** Following the consultation period, a number of changes have been made to the budget to reflect further consideration of the proposals and their impact on the organisation which are documented in the supporting appendices to the report and summarised as follows:

<b>Summary of changes to Interim Budget proposals</b>	<b>£</b>
Revised contribution rates following the 2010 formal valuation of the pension fund	(259,000)
Additional funding from finance settlement	(21,922)
One Legal savings (cumulative effect of 2 year pay freeze)	(9,600)
LGA subscriptions (additional saving)	(900)
Extended programme of urban gull population control by egg oiling (sterilization)	1,500
Investment in Imperial and Montpelier Gardens to provide improved facilities for hirers, including Cheltenham Festivals.	140,000
One-off transitional funding to Arts Council in lieu of permanent cut to funding.	6,000
Additional income from allotment rentals	(1,000)
Deferred cut to grass verges contract to 2012/13	110,000
Reduced saving from closure of public toilets	21,750
Reduced saving from training budgets	500
Net 'write-off' in box office commission	11,200
Additional contribution to General Balances	1,472
<b>Net impact on General Fund Budget for 2011/12</b>	<b>nil</b>

## 6. Service growth

- 6.1** The Cabinet's initial approach was that, given the difficult financial situation, there should be no growth in services which has an impact on revenue expenditure except where there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The growth identified in the budget proposals supported by Cabinet meets these criteria and reflect the need to invest in business processes and schemes which support the BtG programme.
- 6.2** The revised contribution rates following the 2010 formal valuation of the pension fund has released a one-off sum of £259,000 which has been used to fund one-growth growth detailed within Appendix 3 to the value of £149,000. It is proposed that the remaining £110,000 is used to continue the additional 10 cuts per year to grass verges before transferring back to the County Council wef 1<sup>st</sup> April 2012.
- 6.3** The Cabinet has an aspiration to make the following one off investment, funded from LAA performance reward grant, estimated at £278k for 2011/12, subject to it being awarded and these will be confirmed in the outturn report to council in June 2011.
- £50k towards match funding the £50k contribution from GCC to address youth work issues that the County can no longer fund in the way that it traditionally has.
  - £30k for community pride / big society initiatives to establish another round of Community Pride as last year, with the emphasis on enabling 'Big Society' initiatives to be taken forward, such as promoting volunteering or voluntary initiatives.
  - £30k towards supporting Cheltenham Voluntary and Community Action (VCA) at £10k a year for the next three years from the LAA Performance Reward Grant to develop the voluntary and community market through capacity building and supporting the Council to achieve its goal of being a commissioning organisation.
  - A capital contribution towards the Warm and Well scheme administered by Severn Wye Energy Agency on the basis that private sector renewal grant has been withdrawn from 2011/12.

- 6.4 The full list of proposals for growth, including one off initiatives, is included in Appendix 3.

## 7. Treasury Management

- 7.1 Appendix 6 summarises the budget estimates for treasury management activity taking into account the following changes, considered by the Treasury Management Panel, at its meetings on 22<sup>nd</sup> November 2010 and 27<sup>th</sup> January 2011.
- 7.2 The council has been affected by the low interest rates which have remained at 0.50% throughout the year and are predicted to remain at this level for some time still. Due to our consolidated debt rate being lower this has resulted in the Housing revenue Account (HRA) paying £183,000 less interest to the General Fund for 2011/12, even though borrowing interest costs have reduced overall by £6,700.
- 7.3 The low interest rates will also affect our investment income and is estimated to fall by £74,900 in 2011/12.
- 7.4 As a result, the net impact on 2011/12 budget is a reduction in net treasury income of £236,200.
- 7.5 The council has been actively pursuing the deposits from the three Icelandic owned banks, Glitnir, Landsbanki and Kaupthing Singer and Friedlander (KSF). The situation with both Glitnir and Landsbanki is that the council's legal advisors have now filed written submissions with the Icelandic courts with regards to the deposits made in 2006, and court hearings are due to take place in Spring 2011. As regards to KSF we have received £1.628m back to date which amounts to 53p in the pound. The latest information we have indicates a recovery rate in the range of 75p to 84p in the pound.

## 8. Medium Term Financial Strategy (MTFS)

- 8.1 Prior to the comprehensive spending review, the council was estimating the MTFS funding gap to be c£4.7m based on an anticipated cut in government support of 25%. The MTFS projections have been updated for the Cabinet's final budget proposals in February 2011, taking into account the levels of Government support for the period of the CSR10 spending review.
- 8.2 The MTFS approved in February 2010 has been updated to reflect the latest estimates of the implications of the spending review and assumes a 31.28% reduction in the level of government support as a result of a public sector spending squeeze. It also includes the Council's strategy for closing the gap and makes further projections of the impact of this strategy on the gap. The updated MTFS is attached at Appendix 11 and assumes a worst case scenario.
- 8.3 The cumulative funding gap over the next 5 years is projected to be c£2.5m although measures taken to date results in a residual cumulative funding gap of c£1.5m.

## 9. Pensions

- 9.1 The Council's pension fund has been subject to triennial revaluation by the pension fund actuary in 2010/11, the draft results of which were published in December 2010. The valuation found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.
- 9.2 Contribution rates are calculated on an individual basis for each participating employer. For the council's element of the fund, the funding level was assessed at 66% (compared with 75.3% in 2007), with a shortfall of £34.1m. The fund actuary is aiming for this deficit to be recovered over a 20 year period, giving the following target contribution rates for the council (for this three-year valuation period):

- a 14.65% future service rate which should cover the liabilities scheme members build up in the future, plus
- an annual lump sum past service deficit contribution of £1.387m in 2011/12 (rising to £1.728m by 2013/14), to cover the shortfall in the fund

## 10. Reserves

**10.1** The Cabinet has taken the opportunity to review the reserves held by the council on the advice of SLT and the CFO. Some realignment of reserves, detailed in Appendix 8, are proposed to further the aims of the council including:

- Transfer £1m of the reserve realignment to increase the civic pride reserve to fund future costs including site investigations and preparation work in order to present development sites and some pump priming for Boots corner redevelopment. The council is progressing with the civic pride scheme using the Cheltenham Task Force delivery vehicle. In February 2010, a projection of the council's civic pride reserve, including external partner contributions, identified a funding shortfall for 2011/12 of c£110k. The reserve realignment will address this shortfall.
- Transfer £717k of Planning Delivery Grant (PDG) reserve to the General Reserve, given that planning posts funded from this reserve have been built into the base budget from 2011/12.
- Recently the council owned properties in Ledmore Road have been sold and the receipt can now be used to fund the redevelopment of St Paul's and other housing regeneration schemes, in line with the council decision in July 2009. This allows for transfer of £1.3m of the Housing Capital Reserve (General Fund) which had been earmarked to support housing regeneration schemes, releasing it for other purposes.
- Transfer £300k of the reserve realignment to the capital reserve to support future capital programmes.
- The sourcing strategy programme has now been closed down and the balance of unused sourcing strategy money, £274.4k, is to be returned back to the general reserve as outlined in Appendix 7. However, it is proposed that some of this money is earmarked to support potential work around the creation of shared services for revenues and benefit (£100k), subject to business case. A further £80k is to be used to support the business change flowing from the restructuring proposals around commissioning and GO programme, as outlined in the Section 4 report and agreed by council on 13th December 2010.
- More work is to be undertaken to understand both the immediate and longer term investment required to pump priming the commissioning activity which may justify a further earmarking of money or an earmarking of the general reserve, subject to business case.

## 11. Capital Programme

**11.1** The proposed capital programme for the period 2011/12 to 2015/16 is at Appendix 9.

**11.2** The programme includes a provisional sum of £250k for investment in new car park management technology, which will be subject to a business case and options appraisal and investment in telephony switch upgrades, identified in the council's ICT strategy, approved by Cabinet on 22<sup>nd</sup> June 2010.

**11.3** The adoption of International Financial Reporting Standards (IFRS) has necessitated the need to review all council leases to determine whether they are classified as operational or finance leases. The review has concluded that leases drawn for the purchase of vehicles and recycling



bins are deemed to be finance leases and as such must be represented on the council's balance sheet as external borrowing.

- 11.4** As a consequence of the above, officers have reviewed and compared the costs associated with leasing against prudential borrowing and concluded that whilst the gains from prudential borrowing were marginal in the early years, it gave the council more flexibility in terms of ownership.
- 11.5** With the potential shared waste management service, it is the view of officers that the flexibility surrounding ownership of the assets from the outset and the marginal financial benefits support a decision to finance those assets through prudential borrowing.

## **12. Property Maintenance Programmes**

- 12.1** The proposed property repairs and maintenance programme for 2011/12 is at Appendix 10.
- 12.2** The budget proposals include a proposal to defer the increase in annual contribution of £125k to the planned maintenance reserve by one year, in response to the severe settlement position. As a result the planned maintenance programme, at appendix 10, has been reviewed to reflect the affordability envelope available.
- 12.3** A decision to close public toilets will save substantial maintenance costs over the course of the 20 year property maintenance programme. This is currently costed at c£400,000 and further endorses the proposal to defer the annual increase in planned maintenance contributions by one year.
- 12.4** The programme includes a sum of £157k towards the council's share of the costs of the refurbishment of the arcade, finalised at £517k.
- 12.5** There are a series of initiatives to reduce power consumption. The installation of voltage optimisation devices to moderate the electricity supply coming into buildings will cost £97k of which some £14k is being spent in 2010/11 for a pilot plant at Leisure@. In total these will save the Council some £15.7k pa, and reduce our Carbon footprint by 92 tonnes of CO2 p.a. Further schemes are proposed for the future costing a total of £76k - as follows:
- Replacing pool hall lights with 100w LEDs, (£27k);
  - Replacement of lighting at Regent Arcade car park (£33k); Improving cooling efficiency in server room, including replacing air-con units with evaporative cooling unit (£10.5k);
  - Extend replacement of security lighting at Depot with LEDs and install PIRs on percentage of security lighting (£5.5k).
- 12.6** In total these will save the Council an estimated £36k pa, and reduce our Carbon footprint by some 159 tonnes of CO2 p.a. Because these are initiatives that promise a payback they will be funded from the Repairs and Renewals reserve.

## **13. Budget consultation and feedback**

- 13.1** Given the scale of the level of public sector funding squeeze, the Cabinet were keen to engage with the public on where to make savings ahead of the decision making process. The results from the summer public consultation road shows and residents panels provided the Cabinet with an indication of where the Cabinet might look to protect, reduce or stop spending on services. The budget proposals take into account the response to this consultation.
- 13.2** The formal budget consultation on the detailed interim budget proposals took place over the

period 22nd December 2010 to 22nd January 2011. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committees were invited to review the interim budget proposals meetings in January 2011 and comments were fed back to the Cabinet.

- 13.3** A summary of the budget consultation responses and the Cabinet's responses, in arriving at the final budget proposals, are contained in Appendix 12.

### **14. Performance management – monitoring and review**

- 14.1** The scale of budget cuts will require significant work to deliver within the agreed timescales and there is a danger that it diverts management time from delivery of services to delivery of cuts. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.
- 14.2** The delivery of the savings workstreams included in the final budget proposals, if approved by full council will be monitored via the BtG group.

### **15. Supplementary Estimates**

- 15.1** Under financial rule 11.3, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2011/12 to be met from the General Reserve, the same level as in 2010/11.

### **16. Budget Presentation**

- 16.1** The budget presented in this report at Appendix 2 includes a projection of the base budget i.e. the cost of providing the same level of services in 2011/12 as in 2010/11 taking into account inflation and pay awards including savings and additional income in the base budget. In an attempt to concentrate attention on the policy changes to the budget, the detailed projection of base budgets for existing service levels are not included.

### **17. Alternative Budget Proposals**

- 17.1** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Chief Finance Officer and / or the appropriate Strategic Director / Chief Executive (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly identified.
- 17.2** It is important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

## **18. Final Budget Proposals and Council Approval**

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

## **19. Conclusions**

- 19.1** As outlined throughout the report, the economic situation and severe cuts to public spending are having a major impact on the budget setting process. The budget proposals for 2011/12 have been prepared in a climate of uncertainty and have been severely impacted upon by the continued economic downturn. Low interest rates coupled with suppressed income levels have presented a huge challenge for both Officers and Members in preparing a budget for the year ahead. Future funding gaps, coupled with the uncertainty of the implications for local government of a public sector spending squeeze point to a challenging period for the Council.
- 19.2** The Council continues to find itself under pressure in the following key areas:
- The cost implications of providing a wide range of services, including many discretionary services.
  - The impact of the performance of the pension fund, due to falling stock markets, on employment costs.
  - The cost of maintaining a large property portfolio.
  - The impact of low interest rates on investment income.
  - The potential impact of the Icelandic banking situation.
  - The impact of sustained low income levels.
- 19.3** As part of the Council's medium term financial planning, it is important to continue to prepare for a number of challenges, including the identification of savings required for future years to bridge future funding gaps, maintaining the Council's substantial asset portfolio, meeting new government targets and local customer demand for improved services.

**20. Reasons for recommendations**

20.1 As outlined in the report.

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<p><b>Appendices</b></p>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Summary net budget requirement</li> <li>3. Growth</li> <li>4. Savings / additional income</li> <li>5. Capital charges</li> <li>6. Interest and investment income</li> <li>7. Detailed reserve movements and sourcing strategy programme closedown</li> <li>8. Projection of reserves</li> <li>9. Capital programme</li> <li>10. Planned maintenance programme</li> <li>11. Medium Term Financial Strategy (MTFS)</li> <li>12. Consultation responses</li> <li>13. Budget Scrutiny working group report</li> </ol>
<p><b>Background information</b></p>	<ol style="list-style-type: none"> <li>1. Finance settlement 2011/12  <a href="http://www.local.communities.gov.uk/finance/1112/grant.htm">http://www.local.communities.gov.uk/finance/1112/grant.htm</a></li> </ol>

The risk				Original risk score (impact x likelihood)			Managing risk					
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register	
1.01	If the council is unable to come up with long term solutions which bridge the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Mark Sheldon	15 December 2010	3	3	9	R	The council has agreed a commissioning approach and the MTFS identifies a number of longer term solutions. The council will need to be mindful of capacity to deliver the savings programme	Sept 2011	Mark Sheldon		
1.02	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	Mark Sheldon	15 December 2010	3	2	6	R	Robust forecasting is used to prepare the budget looking back on previous income targets and collection, and forecasts take into account the current economic situation. Professional judgement used on the deliverability of income targets. Once budget approved, regular monitoring of income targets will identify any issues and any corrective action which need to be taken and will be reported through the budget monitoring reports.	Ongoing during course of year	Mark Sheldon		

1.03	If when developing a longer term strategy to meet the MTFS, the council does not make the public aware of its financial position and clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.	Jane Griffiths	15 December 2010	3	3	9	R	As part of the development of BtG programme there will need to be a clear communication strategy. In adopting a commissioning culture then it will be basing its decisions on customer needs and requirements and this should help address satisfaction levels.	31 March 2011	Communications team to support the BTG programme	
1.04	There is a reliance on shared services delivering savings. If these savings do not materialise or shared service projects do not proceed as anticipated then other savings will need to be found to meet the MTFS projections.	Pat Pratley	15 December 2010	3	3	9	R	All shared services are operated under prince 2 principles, with clear business case and risk logs are maintained for the shared service projects and regularly reviewed	Ongoing during course of year	Pat Pratley	
1.05	In the past the council has used in year savings to support one off growth to fund new initiatives or unpredicted expenditure. It is unlikely that moving forward over the life of the MTFS there will be such savings and if new initiatives or unpredicted expenditure arises then the dependency on the General Reserve will intensify.	Mark Sheldon	15 December 2010	4	3	12	R	Future capital receipts may be needed to galvanise the General Reserve.	1 <sup>st</sup> December 2011	Mark Sheldon (working with SLT and Cabinet)	

1.06	If the council does not carefully manage its commissioning of services then it may not have the flexibility to make additional savings required by the MTFS in future years and a greater burden of savings may fall on the retained organisation.	Mark Sheldon	15 December 2010	3	3	9	R	Contracts, SLAs and other shared service agreements will need to be drafted and negotiated to ensure that there is sufficient flexibility with regards to budget requirements	Ongoing	AD Commissioning	
1.07	If the levels of cuts are deeper and sooner than suggested in the coalition Government's comprehensive spending review, the council may not be able to deliver a measured and planned response to a reduction in services.	Mark Sheldon	15 December 2010	4	4	16	Reduce	SLT work with the Cabinet using the BtG programme to deliver existing workstreams, new initiatives and accelerate the commissioning programme.	Feb 2012	Chief Finance Officer Mark Sheldon	
1.08	If the triennial review of pensions identifies that contribution rates should be greater than anticipated then this will increase the budget gap within the MTFS.	Mark Sheldon	26 January 2010	3	3	9	R	MTFS based on advice received from actuary.	November 2010	Mark Sheldon	

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## NET GENERAL FUND BUDGET 2010/11 REVISED AND 2011/12

<b>GROUP</b>	<b>2010/11 ORIGINAL</b>	<b>2010/11 REVISED</b>	<b>2011/12 ORIGINAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Projected cost of 'standstill' level of service</b>			
Strategic Management	406,050	379,200	342,100
Assistant Chief Executives	3,496,300	3,224,550	2,929,250
Built Environment	22,000	1,477,900	(741,800)
Community Services	47,600	1,162,900	1,227,200
Customer Access & Service Transformation	562,400	331,000	441,600
Financial Services	1,385,400	1,370,300	1,450,900
Health & Culture	4,084,500	4,900,750	4,483,250
Human Resources & Organisational Development	(33,200)	35,500	53,100
Operations	7,589,700	6,129,600	6,448,000
Business Change	17,000	646,600	554,800
Programmed Maintenance (Revenue)	811,000	751,600	406,200
Savings from procurement	(120,000)		
Savings from vacancies	(400,000)	(50,000)	(400,000)
Bad debt provision	40,000	40,000	40,000
	<u>17,908,750</u>	<u>20,399,900</u>	<u>17,234,600</u>
Capital Charges - Appendix 5	(757,600)	(1,838,700)	(2,097,600)
Interest and Investment Income - Appendix 6	293,600	(72,700)	529,800
Use of balances and reserves - Appendix 7	(685,353)	(1,717,303)	429,543
Proposed Growth recurring - Appendix 3			106,500
Proposed Growth one-off - Appendix 3			147,500
Savings / Additional income identified - Appendix 4			(2,076,050)
Area Based Grant	(28,500)	(40,300)	
Specific Grant in lieu of council tax freeze			(197,000)
<b>NET BUDGET</b>	<u><b>16,730,897</b></u>	<u><b>16,730,897</b></u>	<u><b>14,077,293</b></u>
<b>Deduct:</b>			
Revenue Support Grant	(1,118,206)	(1,118,206)	(1,439,927)
National Non-Domestic Rate	(7,700,653)	(7,700,653)	(4,658,405)
Collection Fund Contribution	(33,500)	(33,500)	(59,500)
	<u><b>(8,852,359)</b></u>	<u><b>(8,852,359)</b></u>	<u><b>(6,157,832)</b></u>
<b>NET SPEND FUNDED BY TAX</b>	<b>7,878,538</b>	<b>7,878,538</b>	<b>7,919,461</b>
Band 'D' Tax	£187.12	£187.12	£187.12
Increase per annum			£0.00
Increase per week			£0.00
% Rise			0.0%
<b>INCREASE - 2010/11 base v 2011/12 budget</b>			<b>40,923</b>

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Ref	Division	Project Name	Description	Revenue Costs			Income/savings/match funding			Net revenue requirement			Capital Costs		
				2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
				£	£	£	£	£	£	£	£	£	£	£	£
<b>SUPPORTED GROWTH (RECURRING)</b>															
1	CA&ST	Telephony switch upgrade	The upgrade of the telephony software version is essential to maintain support with the manufacturer. We are unable to purchase any additional telephony licences under the current version. This will enable us to have more up to date versions of the contact centre software which is essential for supplying telephony to our services.												
2	Built Environment	Freeze car parking charges	Maintain car park charges at current levels - i.e. no inflationary increase	106,500	106,500	106,500								70,300	
3	Built Environment	Car park management technology	The upgrade of the car park management technology at selected sites such as Regent Arcade is essential as the existing management systems and hardware have now reached the end of their life cycle. The upgrades will ensure continued compliance in data collection and storage, ongoing viability of the management and operating system and will release resources needed to provide ongoing service delivery												250,000
				106,500	106,500	106,500	0	0	0	106,500	106,500	106,500	106,500	320,300	-
<b>SUPPORTED GROWTH (ONE OFF)</b>															
4	Operations	Extended programme of urban gull population control by egg colling (sterilization)	Changes in weather patterns has resulted in breeding times changing with eggs being laid over a longer period. Additional £1,500 per annum will pay for 3-4 extra treatment days.	1,500	1,500										
5	Operations	Parks and Gardens	Investment in Imperial and Montpellier Gardens to provide improved facilities for hirers, including Cheltenham Festivals.	140,000											
6	Health and Wellbeing	Arts Council	One-off transitional funding in lieu of permanent cut to funding.	6,000											
				147,500	1,500										
<b>SUPPORTED GROWTH (FUNDED FROM GENERAL RESERVE)</b>															
7	CA&ST	Business Change	Support the organisation's business change activity in a period of significant change including the major change to an Enterprise Resource Planning (ERP) system facilitated by the GO programme.	80,000											
8	CA&ST	Shared Revenues and Benefits Service	Funding towards a potential shared revenues and benefits shared service with another council subject to a business case.	100,000											
				180,000											
<b>SUPPORTED GROWTH (FUNDED FROM PROPERTY R&amp;R RESERVE)</b>															
9	Built Environment	Power Perforctors	Installation of voltage optimisation devices to improve efficiency of electricity supply coming into buildings.	75,900			4,300	15,700							
				75,900			4,300	15,700							

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A	Bridging the Gap Programme Project / Area of Activity		MTFS PERIOD						K	L	M	N	O	P	Q
	D	E	F	G	H	I	J								

## 2011-12 BRIDGING THE GAP INITIATIVES - BUILT INTO BASE BUDGET

	Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Cumulative annual impact on MTFS 2015/16 £	2011-12 One-off Costs £	FTE Impact	FTE Losses 2011/12	FTE Losses Future Yrs	Equality and Diversity Impacts	Service/Risk Implications
<b>CORPORATE</b>													
1	125,000						125,000					None identified.	Risk that the council's buildings will not be repaired and renewed to the desired standards. Only minimum works will be completed.
<b>FINANCIAL SERVICES</b>													
2	5,500						5,500					None identified.	There would no longer be external support for ad-hoc queries. There would therefore be a reliance on the internal expertise to handle insurance matters. The current insurance officer will have the experience to deal with such issues for Cheltenham, but there is a risk that one-off, unexpected issues may occur, requiring external support.
3	9,000	9,000	56,100	32,900	6,100		113,100					None identified.	Requires both Cheltenham Borough and Gloucester City to approve the factored borrowing of £1.2m each for onward lending to the airport company
<b>HEALTH &amp; WELLBEING</b>													
4	5,000	5,000					10,000					None identified.	None identified.
5	5,000						5,000					Reduction in concessions may impact on the ability of some Voluntary Community Groups to hire the facilities.	There is a risk to the service if charities discontinue to use these venues and replacement bookings are not made.
6	15,000						15,000		Vacant post	1.0		None identified.	None identified.
7	46,400						46,400					None identified.	None identified.
8	24,300						24,300		Redundancy	1.0		None identified.	None identified.
9	11,900						11,900		Vacant post	1.0		None identified.	None identified.
10	15,000						15,000		Vacant post	1.0		None identified.	None identified.
11	50,000						50,000					None identified.	None identified.
12	5,000	5,000	5,000	5,000	5,000		25,000					The grant reduction may impact on the Everyman's ability to provide outreach work which is particularly valued by community groups; the everyman has focused recently on work with BME communities.	May impact on the operations of the Everyman Theatre.
<b>BUILT ENVIRONMENT</b>													
13													
14	75,000						75,000					None identified.	None identified.
15	14,000						14,000					None identified.	None identified.
16	11,600						11,600		Vacant post	0.5		None identified.	Reduction in capacity could impact on service delivery and income generation.
17	19,900						19,900		Vacant post	1.0		None identified.	Reduction in capacity could impact on service delivery and income generation.
18	20,000						20,000		Vacant post	1.0		None identified.	Reduction in capacity could impact on service delivery.



A	Bridging the Gap Programme Project / Area of Activity		MTFS PERIOD							K	L	M	N	O	P	Q
	D	E	F	G	H	I	J									

## 2011-12 BRIDGING THE GAP INITIATIVES - NOT BUILT INTO BASE BUDGET

	Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Cumulative annual impact on MTFS 2015/16 £	2011-12 One-off Costs £	FTE Impact 2011/12 N	FTE Losses Future Yrs O	Equality and Diversity Impacts	Service/Risk Implications	
<b>CORPORATE</b>													
32	144,000	54,000	15,000				215,000		2011-12 1 FTE Vacant post 1 FTE Redundancy 2012-13 1 FTE Redundancy	2.0	1.0	The restructure of Senior Leadership Team could potentially reduce the proportion of females in the top 5% of earners.	Reduction in capacity of the Senior Leadership Team.
33	10,000	15,000					25,000		Redundancy	1.0		None identified.	Risk that senior managers are not fully supported in their roles.
34	25,000						25,000		Redundancy	1.0		None identified.	Reduction in capacity to deliver the new commissioning approach.
<b>FINANCIAL SERVICES &amp; HUMAN RESOURCES</b>													
35			178,800				178,800					None identified.	Transactional processing (accounts receivable, payable, payroll etc.) may not undertaken locally and there is likely to be more self service by managers and users of the systems. The resulting significant cultural change which will require support / resourcing in order to ensure that the transition is successful.
<b>HUMAN RESOURCES</b>													
36	8,000						8,000		Vacant post	0.5		The option to reduce working hours is more likely to be taken up by female members of staff who may have children or caring responsibilities. Senior Leadership Team to make sure staff have access to full information about the reduction in hours and the impact this will have on salaries / pensions.	Will need to be subject to the needs of the business and only approved if has no detrimental impact on the service. A policy and guidance will need to be written for Managers, to assist in dealing with requests from staff. Could improve staff morale through improved work-life balance. Possible impact on final salary pension entitlements for some staff, which may discourage take-up of a permanent basis. Council will need to manage expectations of reduced workload and possible reductions in output for staff affected.
37	10,700						10,700					Potential greater impact on those on lower pay and Senior Leadership Team will need to ensure that staff with mobility problems continue to have access to parking close to their place of work, and consider location of spaces re. car users e.g. essential users.	Likely to reduce staff morale, especially if a significant charge or if future escalation in charge is likely. Many staff may opt out, either by not using car (which may cause service disruption if car usage essential) or by parking elsewhere (causing possible congestion). May discourage car usage in line with green agenda but if then successful income from permits would reduce and Council may have to upgrade facilities for cyclists. Take-up may be reduced by more flexible (home) working and individuals electing to car share or use public transport.
38	1,000						1,000					None identified.	None identified.
39			12,100				12,100		Shared post		0.5	None identified.	There are resilience issues if move to 1 FTE. This could be potentially resolved through shared services. Learning Management System could be used for self managed H&S training, culture and behaviour issues but the largest risk group are not PC users/office based and therefore self managed and e-learning not suitable. Need to ensure that capacity is there to support Waste Partnership.
40	22,500						22,500					Senior Leadership Team need to keep an overview of access to training and make sure that there are no detrimental impacts on our equality commitments.	There will be no funding to fund external training that may be required as the remaining fund in corporate training to largely made up of existing commitments, so training delivery will be impacted and increased reliance on e-learning.
41	52,150						52,150					As above.	Potential impact on staff's ability maintain professional qualifications. Managers will need to explore alternative learning opportunities for the teams.

A	Bridging the Gap Programme Project / Area of Activity										Q		
	Estimate 2011/12 £ D	Estimate 2012/13 £ F	Estimate 2013/14 £ G	Estimate 2014/15 £ H	Estimate 2015/16 £ I	Estimate 2016/17 £ J	Cumulative annual impact on MTFS 2015/16 £ K	2011-12 One-off Costs £ L	FTE Impact M	FTE Losses 2011/12 N		FTE Losses Future Yrs O	Equality and Diversity Impacts P
42	80,000						80,000					Senior Leadership Team to keep an overview on how this impacts on the gender / disability / BME proportion of staff.	Vacancies arise as a matter of chance not planning and the requirement for particular skills may limit transferability of staff to where the needs are greatest.
43	20,000						20,000					None identified.	Employment relations issues will need to be carefully considered re. varying contractual arrangements.
44	38,200	61,800					100,000					None identified.	Those that may not have claimed mileage to date may claim mileage if they lose their allowance. Need to ensure follow council policy or risk employment relations issue.
45	10,000						10,000					None identified.	None identified.
46	5,000						5,000					A positive move re. equality as the allowance does not appear to be applied consistently at present.	The withdrawal of evening meeting allowances will impact on those officers who must attend meetings as part of their regular duties eg democratic services. The current staffing levels are not geared towards time off in lieu and therefore it will impact on their availability during normal office hours. The new localism bill will also put more of a requirement on officers to attend community meetings which will be in an evening and therefore members, public and other officer expectations about officer availability during office hours will need to be managed.
47	5,600						5,600					None identified.	Staff unwilling to volunteer to be a first aider.
48	1,000						1,000					None identified.	Loss of feature to offer partners - potential income generation loss. Will not have capacity to reinstate once lost. CBC has been 4 graded test centre for last 4 years - loss of kudos.
<b>HEALTH &amp; WELLBEING</b>													
49	109,200						109,200					The grant cut may impact on the ability to provide outreach work which is particularly valued by community groups.	May impact on the operations of Cheltenham Festivals.
50	-71,400						-71,400						None identified.
51	50,000						50,000					The proposed move of the TIC to the new Art Gallery extension will improve access to this service.	None identified.
51			50,000				50,000					None identified.	Business case is dependent upon increased turnover and commercial activity.
52	10,000						10,000					Assistant Director to keep an overview on how this will impact on the work with BME groups and children / young people.	May impact on the operations of the Arts Council.
53		10,800					10,800					Assistant Director to keep an overview on how this will impact on the work with BME groups and children / young people.	May impact on the operations of the Performing Arts Society.





66	REVIEW OF ALLOTMENTS SERVICE - INCREASE IN CHARGES TO COVER COST OF SERVICE	MTFS PERIOD						Cumulative annual impact on MTFS 2015/16 £ K	2011-12 One-off Costs £ L	FTE Impact M	FTE Losses 2011/12 N	FTE Losses Future Yrs O	Equality and Diversity Impacts P	Service/Risk Implications Q	
		Estimate 2011/12 £ D	Estimate 2012/13 £ E	Estimate 2013/14 £ F	Estimate 2014/15 £ G	Estimate 2015/16 £ H	Estimate 2016/17 £ I								Estimate 2017/18 £ J
		1,000	25,000												
66	REVIEW OF ALLOTMENTS SERVICE - INCREASE IN CHARGES TO COVER COST OF SERVICE	1,000	25,000					26,000				The increase in charges for allotments may impact on the ability of some individuals to afford their allotments. Assistant Director to keep an overview on the impact of this proposal.	It is anticipated that the review of the allotment charge and the introduction of a new charging structure will not impact significantly on allotment take-up.		
67	REORGANISE PUBLIC PROTECTION TO REDUCE THREE SERVICE MANAGERS TO TWO	35,000						35,000	Redundancy	1.0		None identified.	Reduction in capacity could impact on service delivery.		
68	DEPOT RATIONALISATION Operational gains created by Tewkesbury BC and a recycling operators occupancy e.g. lease income and fuel saving due to reduction in journeys to the tip. TBC and FOD DC Dry Recyclate Strengthened market prices plus longer term deals facilitated through the Pritwaste Contract	12,500 89,200						12,500 89,200				None identified.	None identified - project complete.		
69	MOVE TO ALTERNATE WEEKLY COLLECTIONS and CHARGE FOR COLLECTION OF GREEN WASTE	747,100	58,800					805,900				The introduction of charging for garden waste will impact more on residents on lower incomes who wish to purchase this service which is currently free, or can not access the facilities at the depot. The introduction of wheeled bins for garden waste will make it easier to transport for residents and staff. It will be important to ensure that residents will reduce mobility are aware of the assisted collection service.	Take up of the new service may be lower than anticipated. A comprehensive promotional campaign is being delivered to highlight the service and the benefits to customers.		
70	1% Increase in Recycling Performance Additional income from kerbside collection due to increased recycle prices	33,600 39,300						33,600 39,300						None identified.	
71	DELETE VACANT PART TIME COMMUNITY RANGER	12,000						12,000	Vacant post	0.5		None identified.	None identified.		
72	STOP SUPPLY OF FREE DOG BAGS	12,200						12,200				The removal of this free facility may impact more on those residents on lower incomes.	There is a risk that incidences of dog fouling in public areas may increase. The degree to which responsible dog owners will still continue to clear up after their dogs despite having to provide their own bags is unknown.		
73	CLOSURE OF PUBLIC CONVENIENCES Coxs Meadow, Coronation Square, Ambrose Street, Bath Terrace, Church Piece, Portland Street will close. Toilets at the Town Hall, Royal Well, Pitville Park and Montpellier and Sanford Park (summer only) will remain. A scheme for accessing toilets in cafes / shops etc is also being finalised. CUTTING GRASS VERGES The council will terminate the maintenance agreement wef 1/4/2012. The responsibility for verges lies with GCC and CBC undertake this work under an agency agreement.	100,000						100,000	Vacant post	2.0		The closure of public toilets will have a detrimental impact on older people / disabled people and parents with children who need to access public toilets at short notice.	The council will need to consider how the impact of the closures can be mitigated by working with businesses to open up their toilets to public access, and signage to alternative facilities.		
74	REVENUES & BENEFITS - REDUCE 0.5 FTE ADMINISTRATION POST	9,000						9,000	Vacant post	0.5		None identified.	None identified.		
75	REVENUES & BENEFITS - POST ON MATERNITY LEAVE NO LONGER REQUIRED	20,000						20,000	Vacant post	1.0		None identified.	None identified.		
76	SYSTEMS THINKING - ICT PHASE 2 To be delivered with activities below: REVIEW OF PRINTERS CONTRACT AT MUNICIPAL OFFICES AND CHELTENHAM FESTIVALS CANCELLATION OF REDUNDANT BT LINES REDUCTION IN COSTS OF LANDLINE TO MOBILE CALL CHARGES	9,000 3,000 10,000						9,000 3,000 10,000				None identified.	None identified.		
77	GAR PARKING INCOME COURIER SERVICE Reduction in number of hours worked	3,500						3,500				None identified.	None identified.		



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Capital Charges

	2010/11 ORIGINAL £	2010/11 REVISED £	2011/12 ORIGINAL £	NOTE
Minimum Revenue Provision (MRP)	498,600	875,100	616,200	1
Debt Redemption Premiums	220,700	145,700	145,700	2
Depreciation	(1,855,300)	(2,753,700)	(2,753,700)	3
Amortisation	(65,800)	(105,800)	(105,800)	4
Government Grants / Capital Contributions Deferred	444,200	0	0	5
<b>Capital Charges</b>	<b>(757,600)</b>	<b>(1,838,700)</b>	<b>(2,097,600)</b>	

**NOTE**

- 1 Prescribed % required to be set aside to repay debt as set in the MRP Policy
  - 2 Amortised cost of debt re-scheduling
  - 3 Depreciation - depreciation charged on the Council's tangible fixed assets
  - 4 Amortisation - amortisation charged on the Council's intangible fixed assets
  - 5 Capital Grants and Contributions Deferred - contribution to offset depreciation and amortisation charges on those assets financed from Government Grants and external contributions
- As a result of IFRS (International Financial Reporting Standards) this is no longer required from 1st April 2010

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Interest and Investment Income

	2010/11 ORIGINAL £	2010/11 REVISED £	2011/12 ORIGINAL £	NOTE
External Interest Payable	1,234,300	1,212,600	1,212,600	1
HRA Item 8 Credit	54,700	74,200	62,400	2
External Interest received	(243,200)	(221,100)	(168,300)	3
Interest due from the Icelandic banks	0	(331,500)	0	4
Icelandic Banks impairment	0	(230,000)	0	5
HRA Item 8 Debit	(752,200)	(576,900)	(576,900)	6
<b>Interest and Investment Income</b>	<b>293,600</b>	<b>(72,700)</b>	<b>529,800</b>	

**NOTE**

- 1 External interest payable - interest paid on the Council's treasury management / cashflow activity
- 2 Item 8 credit - contribution to the Housing Revenue Account (HRA) in respect of discount received from debt re-scheduling and interest receivable on cash balances held by the HRA
- 3 Interest earned on Council's funds and treasury management / cashflow activity
- 4 Interest due in year from Icelandic banks
- 5 Impairment of Icelandic banks deposits credit
- 6 Item 8 debit - contribution from the Housing Revenue Account in respect of premium incurred from debt re-scheduling and debt charges

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DETAILED RESERVE MOVEMENTSRSVE  
REF:USE OF BALANCES & RESERVES - SUMMARY

	BUDGETBOOK 2010/11 £	REVISED 2010/11 £	ORIGINAL 2011/12 £	NOTE
7301	1,712,947	4,307,793	1,736,343	
8240	(1,587,300)	(5,273,496)	(900,600)	
8248	(811,000)	(751,600)	(406,200)	
	<b>(685,353)</b>	<b>(1,717,303)</b>	<b>429,543</b>	
<b>* CONTRIBUTIONS TO RESERVES</b>				
BR02	150,000	150,000	150,000	Contribution to pension reserve to fund future pension and augmentation costs
BR05	26,700			Contribution to fund cost of IBS licence paid up front
BR12	7,500	7,500	7,500	Contribution towards survey every 3 years
BR12		57,590		Reserve realignment from Housing Needs Assessment Reserve
BR45		123,800		Contribution to fund the Joint Core Strategy with Tewkesbury and Gloucester
BR58		1,000,000		Reserve realignment from Housing Capital Reserve
BR63	131,400	131,400	29,300	Contribution to fund future costs in lieu of additional administration grant
BR67		331,500		Contribution to cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses
BR76		127,500	61,200	Contribution to fund future election costs
BR88	77,500	127,500	77,500	Contribution to fund IT replacement programme
BR89	693,000	693,000	693,000	Contribution to fund Planned Maintenance programme
BR92	625,000	625,000	700,000	Contribution to capital reserve (subject to future review of capital financing strategy)
BR92		29,500		Reserve realignment from LABGI Reserve
BR92		300,000		Reserve realignment from Housing Capital Reserve
BS01		717,373		Reserve realignment from PDG Reserve
BS01		13,584		Reserve realignment from Highways Insurance Reserve
BS01	1,847	47	16,300	Transfer to General Balances in respect of Audit partnership savings
BS01	<b>1,712,947</b>	<b>4,307,793</b>	<b>1,736,343</b>	<b>1,543</b> Transfer to General Balances
<b>** CONTRIBUTIONS FROM RESERVES</b>				
BR01		(94,000)		Contribution to fund transitional costs of single status
BR01		(23,800)		Contribution to fund 2010/11 back-pay
BR01		(200,900)		Contribution to fund pay protection
BR02	(201,700)	(150,000)	(100,000)	Contribution to fund increased pension costs as a result of the 2004 triennial revaluation
BR02	(150,000)	(65,500)	(100,000)	Contribution to fund increased pension costs as a result of the 2007 triennial revaluation
BR05		(1,800)	(1,800)	Contribution to fund cost of IBS licence
BR05	(5,000)	(5,000)	(5,000)	Contribution to fund maintenance on upgrades to Council Tax / Benefits system
BR08	(3,300)	(3,300)		Contribution to fund health & safety requirements
BR09		(54,200)		Contribution to fund Art Gallery & Museum development
BR09		(10,000)	(15,000)	Contribution to fund Playhouse Theatre development
BR10		(135,000)	(30,000)	Contribution to fund economic and cultural development as agreed by Council in previous financial years
BR10	(25,000)	(10,000)	(10,000)	Contribution to fund economic and cultural development as agreed by Council 29/6/09
BR10	(50,500)	(50,500)		Contribution to fund supported one-off growth items as agreed by Council 12/2/10
BR10		(29,500)		Reserve realignment to Capital Reserve

<b>RSVE REF:</b>	<b><u>DETAILED RESERVE MOVEMENTS</u></b>	<b>BUDGETBOOK 2010/11 £</b>	<b>REVISED 2010/11 £</b>	<b>ORIGINAL 2011/12 £</b>	<b>NOTE</b>
BR11	Housing Needs Assessment Reserve		(57,590)		Reserve realignment to House Survey Reserve
BR12	House Survey Reserve			(32,000)	Contribution to fund housing stock conditions survey costs
BR14	Flood Alleviation Reserve	(100,000)	(150,000)	(50,000)	Contribution to fund flood alleviation works
BR14	Flood Alleviation Reserve	(30,000)	(52,000)	(30,000)	Contribution to fund local flood alleviation works for 3 years (from EU Grant)
BR14	Flood Alleviation Reserve	(63,000)	(10,000)	(74,700)	Contribution to fund Severn Trent Water community fund schemes
BR42	Vehicle Leasing Equalisation Reserve		(101,200)		Contribution to fund new waste recycling service
BR52	Commuted Maintenance	(66,000)	(66,000)	(39,000)	Use of developers contributions to fund maintenance costs
BR54	Legal Staffing Reserve		(16,300)		Contribution to fund set up costs of One Legal
BR58	Civic Pride Reserve	(104,600)	(107,400)	(108,700)	Contribution to fund Project Manager
BR58	Civic Pride Reserve	(54,900)	(39,800)	(112,500)	Contribution to fund project costs
BR61	PDG Reserve	(245,900)	(130,800)		Contribution to fund future PDG costs
BR61	PDG Reserve		(717,373)		Reserve realignment to General Balances
BR63	Rent Allowances Equalisation Reserve	(65,300)	(72,100)	(68,400)	Contribution to fund increased net cost compared to budget
BR65	Licensing Fees Equalisation Reserve	(17,000)	(17,000)	(17,000)	Contribution to fund Taxi Marshalls in 2009/10
BR72	Local Plan Reserve		(60,000)		Contribution to fund the Joint Core Strategy with Tewkesbury and Gloucester
BR76	Local Plan Reserve		(20,000)		Contribution to fund compensation
BR76	Elections Reserve	(65,200)	(65,200)		Contribution to fund local election costs in 2010/11
BR77	Capital Reserve - HIP		(1,300,000)		Reserve realignment to Civic Pride and RCCO Reserves
BR78	Highways Insurance Reserve		(13,584)		Reserve realignment to General Balances
BR88	IT Repairs & Renewals Reserve	(134,900)	(109,900)	(119,900)	Contribution to fund IT infrastructure
BR89	Property Repairs & Renewals Reserve		(53,800)		Contribution to fund revaluation and business rate reviews
BR89	Property Repairs & Renewals Reserve		(166,800)	(15,000)	Contribution to fund Everyman Theatre grant
BR91	Old Year Creditor Rsvs - RR				Contribution to fund Regent Arcade improvements
BR92	Revenue Contribution to Capital Outlay (RCCO)	(4,500)	(4,500)		Contribution to fund the one-off staffing costs associated with the 2008/09 budget proposals as agreed by Council 8/2/08
BR92	Revenue Contribution to Capital Outlay (RCCO)		(350,000)		Contribution to fund Regent Arcade improvements
BS01	General Reserve		(8,000)		Contribution to fund Brizen Young People's Centre set-up costs
BS01	General Reserve		(44,150)		Contribution to fund additional MRP in 2010/11 as agreed by Council 12/2/10
BS01	General Reserve		(37,100)		Contribution to fund Eumonia joint waste management project
BS01	General Reserve		(114,000)	(71,600)	Contribution to fund Sourcing Strategy investment
BS01	General Reserve		(3,300)		Contribution to fund GO Programme
BS01	General Reserve		(50,000)		Contribution to fund Icelandic banks court case
BS01	General Reserve		(248,600)		Contribution to fund the one off staffing costs associated with the 2010/11 budget
BR91	Chief Executives		(110,600)		Approved carry forwards at 28/6/10
BR91	CAST		(20,000)		Approved carry forwards at 28/6/10
BR91	Health & Culture		(83,900)		Approved carry forwards at 28/6/10
BR91	Built Environment		(14,900)		Approved carry forwards at 28/6/10
BR91	Integrated Transport		(1,700)		Approved carry forwards at 28/6/10
BR91	Operations		(12,600)		Approved carry forwards at 28/6/10
BR91	Business Change		(9,800)		Approved carry forwards at 28/6/10
		<b>(1,587,300)</b>	<b>(5,273,496)</b>	<b>(900,600)</b>	
BR89	Property Repairs & Renewals Reserve	(811,000)	(751,600)	(406,200)	To fund Programmed Maintenance
		<b>(811,000)</b>	<b>(751,600)</b>	<b>(406,200)</b>	

**\*\*\* CONTRIBUTIONS FROM RESERVES TO FUND ONE OFF REVENUE**

Property Repairs &amp; Renewals Reserve

## Sourcing strategy – programme closedown / transfer to General Reserve

A decision has been taken to decommission the Sourcing Strategy as a strategic programme. A number of the projects now exist in their own right and will report their delivery through to either Operational Programme Board or Bridging the Gap. A summary of the programme's deliverables is as follows:

The GO Shared Services Programme, approved by Council in October, is now a key strategic project in its own right and a ground-breaking partnership for 4 councils and one ALMO in Gloucestershire and Oxfordshire. The Council was successful in its bid to become the Support and Hosting Centre of Excellence and has more recently concluded successful discussions with Cheltenham Borough Homes to join the partnership. The new ERP system will be implemented in the Council in April 2012 and the Council intends to bid to run the remaining 2 Centres of Excellence. The total savings impact on the MTFs from GO Shared Services Programme is £179k pa by 2013/14 equating to £0.9M over 10 years (net of investment).

Original proposals to share Revenues and Benefits did not prove financially attractive to the Council. In addition to shared service investigation, the service also undertook systems thinking work and will have delivered its original target of £75k by 2011/12 and a further £115k target by April 2012. The total savings impact on the MTFs from Revenues and Benefits systems thinking is £190k pa equating to £1.72M over 10 years (net of investment).

Original proposals included a feasibility study to share ICT with Tewkesbury Borough Council (TBC). A small investment of £10k was set aside for the feasibility review. However, the project did not progress as a result of TBC withdrawing from the GO partnership and needing to concentrate on the installation of a new finance system. A decision was taken to use the £10k investment to undertake systems thinking work in ICT to deliver £30k pa savings from 2011/12. The total savings impact on the MTFs from ICT systems thinking is £30k pa equating to £290k over 10 years (net of investment).

Original proposals to share HR (known as OneHR) also with Tewkesbury did not go ahead again due to their withdrawal from the GO partnership. Whilst the decision to close the project was difficult, the shared learning will be beneficial as the service prepares its bid for the GO HR and Payroll Centre of Excellence. HR generated £24k additional income by providing an interim service to TBC in 2010/11.

In July it was reported that category management had been successfully implemented in the Procurement service. However, quarter 2 budget monitoring reported that whilst procurement had identified current year savings of c£62k, against a 2010/11 target of £120k, these could not be readily identified as cashable and matched to budget allocations. Therefore the original target of £130k pa savings will not be delivered. For 2011/12 onwards SLT endorse a cashable savings procurement work-plan with accountability to deliver savings resting with service managers.

Finally, the original recommended proposal for Customer Services was a consolidated customer service function across CBC. Whilst supportive of such a proposal SLT resolved they could not support better and more accessible electronic service delivery at the present time as it did not present a sufficiently compelling business case. However, SLT did acknowledge the significant benefits and savings derived through systems thinking work and endorsed this as the approach to take to improve services and drive further cashable savings. They will support investment in technology where this delivers an invest to save case. £254k was set aside in the Sourcing Strategy for this part of the programme.

As a result of the above, £274.4k of the original £785k allocated to the sourcing strategy programme can be returned to general balances. It is however, recommended that £80k of this sum be reallocated to support the organisations's business change activity in a period of significant change facilitated by the GO programme. In addition it is recommended that £100k be put aside for potential revenues and benefits shared service with a future partnering authority.

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## PROJECTION OF RESERVES TO 31ST MARCH 2012

Purpose of ReserveEARMARKED RESERVESOther

	<u>31/3/10</u>	<u>2010/11</u>	<u>2010/11</u>	<u>Reserve</u>	<u>31/3/11</u>	<u>2011/12</u>	<u>2011/12</u>	<u>Support 2011/12</u>	<u>31/3/12</u>
	£	Movement	Movement	Re-alignment	£	Movement	Capital	Budget and	£
		Revenue	Capital	£	£	Revenue	£	one off growth	£
BR01 Single Status Reserve	(332,947.00)	318,700.00			(14,247.00)				(14,247.00)
BR02 Pension Reserve	(93,873.38)	65,500.00			(28,373.38)	(50,000.00)			(78,373.38)
BR03 CPA Reserve	0.00				0.00				0.00
BR04 Economic Development Reserve	(14,200.00)				(14,200.00)				(14,200.00)
BR05 IBS License Reserve	(155,500.00)	6,800.00			(148,700.00)	6,800.00			(141,900.00)
BR06 Keep Cheltenham Tidy Reserve	(626.27)				(626.27)				(626.27)
BR08 Grave Maintenance Reserve	(3,674.33)	3,300.00			(374.33)				(374.33)
BR09 Cultural Development Reserve	(80,161.00)	64,200.00			(15,961.00)	15,000.00			(961.00)
BR10 LABGI Reserve	(301,052.86)	225,000.00			(76,052.86)	40,000.00			(36,052.86)
BR11 Housing Needs Assessment Reserve	(57,589.83)			57,589.83	0.00				0.00
BR12 House Survey Reserve	(39,935.00)	(7,500.00)		(57,589.83)	(105,024.83)	24,500.00			(80,524.83)
BR13 Twinning Reserve	(17,400.00)				(17,400.00)				(17,400.00)
BR14 Flood Alleviation Reserve	(423,934.70)	212,000.00			(211,934.70)	154,700.00			(57,234.70)
BR15 Art Gallery & Museum Development Reserve	(2,000,000.00)				(2,000,000.00)	1,000,000.00			(1,000,000.00)
BR25 Pump Room Insurance Reserve	(28,066.11)				(28,066.11)				(28,066.11)
BR26 Museum Shop Reserve	0.00				0.00				0.00
BR27 TIC Shop Reserve	(11,729.18)				(11,729.18)				(11,729.18)
BR30 GF Insurance Reserve	(159,971.44)				(159,971.44)				(159,971.44)
BR42 Vehicle Leasing Equalisation Reserve	(111,674.04)	101,200.00			(10,474.04)				(10,474.04)
BR45 Joint Core Strategy Reserve	(110,000.00)	(123,800.00)			(233,800.00)				(233,800.00)
BR54 Legal Staff Reserve	(16,350.00)	16,300.00			(50.00)				(50.00)
BR58 Civic Pride	(253,586.76)	147,200.00		(1,000,000.00)	(1,106,386.76)	221,200.00			(885,186.76)
	<b>(4,212,271.90)</b>				<b>(4,183,371.90)</b>				<b>(2,771,171.90)</b>
<u>Repairs &amp; Renewals Reserves</u>									
BR52 Commuted Maintenance Reserve	(329,629.37)	66,000.00			(263,629.37)	39,000.00			(224,629.37)
BR78 Highways Insurance Reserve	(28,583.91)			13,583.91	(15,000.00)				(15,000.00)
BR83 Council Tax/Benefits IT Reserve	(30,000.00)				(30,000.00)				(30,000.00)
BR88 I.T. Repairs & Renewals Reserve	(78,464.70)	(17,600.00)			(96,064.70)	42,400.00			(53,664.70)
BR89 Planned Maintenance Reserve	(1,063,708.61)	279,200.00	200,000.00		(584,508.61)	(271,800.00)	455,000.00	75,900.00	(325,408.61)
	<b>(1,530,386.59)</b>				<b>(989,202.68)</b>				<b>(648,702.68)</b>

PROJECTION OF RESERVES TO 31ST MARCH 2012		2010/11		2010/11		2011/12		2011/12		2011/12		31/3/12	
Purpose of Reserve		31/3/10	2010/11	2010/11	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	31/3/12
		£	Movement	Re-alignment	Movement	Movement	Movement	Movement	Movement	Movement	Movement	Movement	£
		£	Revenue	Re-alignment	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	£
		£	£	£	£	£	£	£	£	£	£	£	£
<b><u>EARMARKED RESERVES</u></b>													
<b><u>Equalisation Reserves</u></b>													
BR61	Planning Delivery Grant Equalisation	(848,172.67)	130,800.00	717,372.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BR63	Rent Allowances Equalisation	(110,355.60)	(59,300.00)		(169,655.60)	39,100.00		39,100.00					(130,555.60)
BR64	Planning Appeals Equalisation	(38,955.09)			(38,955.09)								(38,955.09)
BR65	Licensing Fees Equalisation	(43,700.00)	17,000.00		(26,700.00)	17,000.00		17,000.00					(9,700.00)
BR66	Interest Equalisation	0.00	(331,500.00)		(331,500.00)								(331,500.00)
BR72	Local Plan Equalisation	(135,030.00)	80,000.00		(55,030.00)								(55,030.00)
BR76	Elections/Electoral Reg. Equalisation	(66,200.00)	65,200.00		(1,000.00)	(61,200.00)		(61,200.00)					(62,200.00)
		<b>(1,242,413.36)</b>			<b>(622,840.69)</b>								<b>(627,940.69)</b>
<b>Reserves for commitments</b>													
BR91	Old Year Creditor Rsve - RR	<b>(258,000.00)</b>	258,000.00		<b>0.00</b>								<b>0.00</b>
<b><u>CAPITAL</u></b>													
BR77	Capital Reserve - GF Housing	(2,202,476.15)	42,000.00	1,300,000.00	(860,476.15)	370,000.00		370,000.00					(490,476.15)
BR92	Capital Reserve - GF	(816,457.80)	(296,500.00)	(300,000.00)	(755,357.80)	(700,000.00)	657,600.00	(700,000.00)	750,000.00	320,300.00			(385,057.80)
		<b>(3,018,933.95)</b>			<b>(1,815,833.95)</b>								<b>(875,533.95)</b>
		<b>(10,262,005.80)</b>			<b>(7,411,249.22)</b>								<b>(4,823,349.22)</b>
<b><u>GENERAL FUND BALANCE</u></b>													
BS01	General Balance - RR	(2,446,376.13)	497,103.00	(730,956.58)	(2,358,529.71)	53,757.00	321,700.00	180,000.00		180,000.00			(2,124,772.71)
		<b>(2,446,376.13)</b>			<b>(2,358,529.71)</b>								<b>(2,124,772.71)</b>
		<b>(12,705,381.93)</b>	<b>1,717,303.00</b>	<b>0.00</b>	<b>(9,765,778.93)</b>	<b>(429,543.00)</b>	<b>1,221,300.00</b>	<b>(2,575,000.00)</b>	<b>576,200.00</b>	<b>(7,048,121.93)</b>			<b>(2,721,657.00)</b>
	<b>Projected Annual Reduction</b>				<b>2,938,603.00</b>								

## GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/10	Budget 2010/11 agreed 29/06/10	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16
				£	£	£	£	£	£	£	£	£
Various	C/R	<b><u>BUILT ENVIRONMENT</u></b> Programmed Maintenance	New cremators			750,000	200,000	455,000				
	C	Regent Arcade	Estimated share of refurbishment costs - reclassified as revenue expenditure as asset was revalued at 31st March 2010	350,000		350,000						
LC6001	S	<b><u>GREEN ENVIRONMENT</u></b> S.106 Play area refurbishment	Developer Contributions	197,000		50,000	50,000	50,000	50,000	50,000	50,000	50,000
LC6002	LPSA/P	Birzen Recreation Ground	Replacement/Enhancement of pod at Birzen Recreation Ground for young people			45,000						
LC6006	C	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards			226,000	226,000	80,000	80,000	80,000	80,000	80,000
LC6011	P	Pitville Park Boathouse	Enhancements to Pitville Park including the Boathouse bridge funded from Severn Trent Water Community Fund awarded following the floods in 2007.			72,000	72,000					
LC6015	P	Leckhampton Hill dry stone wall	Match funded with Natural England to construct dry stone walling on Leckhampton Hill sit of special scientific interest (SSSI)	620,000		483,000	483,000					
LC6020	C	Multi Use Games Areas (MUGA's)	Provision of MUGA's at Birzen Recreation Ground, Sandford Park, Naunton Park, and Oakley	135,000	121,754	13,000	13,000					
EC0033	C	<b><u>INTEGRATED TRANSPORT</u></b> CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime			84,000	84,000	50,000	50,000	50,000	50,000	50,000
EC0051	C	<b><u>ENVIRONMENTAL MAINTENANCE</u></b> Re-joining High Street/Promenade pedestrianised area	Re-joining works required to improve safety and appearance of the core commercial area	60,000	36,734	23,000	23,000					
LC6022		Burial Chapel	Invest to save scheme to convert burial chapel to handle cremations.	110,000		110,000	110,000					
GCERP	C	<b><u>Financial Services</u></b> GO ERP	Development of ERP system within the GO Partnership				321,700	100,000				
	c	Gloucestershire Airport	Contribution towards the redevelopment project - £1.2m loan					1,200,000				
DC3204	C	<b><u>ICT</u></b> Business Change Programme	Preparation of the GO Centre of Excellence proposals for ICT hosting			20,000						
DC3211		Working Flexibly	Deliver council services at a time and place which suit the customer.			67,000	67,000					

## GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/10	Budget 2010/11 agreed 29/06/10	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16
				£	£	£	£	£	£	£	£	£
DC3211		Flexible Working - Phase 2	Implementation of Citrix environment to deliver business applications to the home / remote users desktop		49,000	49,000	49,000					
DC3213		Storage Area Network	Storage for the council's data in a secure, expandable and robust environment	155,000	155,000	155,000	155,000					
DC3214		<b>REVENUES &amp; BENEFITS</b> IBS PTC scheduler	Scheduling software for the Revenues & Benefits System to automate the running of processes.				10,600					
DC3212		<b>DSU</b> Replacement of committee web system	This proposal is to migrate to a purpose built committee management system, modern.gov which would be accessible from the new Jadu website	20,000	20,000	20,000	20,000					
		<b>COMMUNITY SERVICES</b>										
HC7440	C/SCG/PSR	Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.			600,000	614,000	600,000	600,000	600,000	600,000	600,000
HC7445	C	Adaptation Support Grant	Used mostly where essential repairs (health and safety) are identified to enable the DFG work to proceed (e.g. electrical works).		26,000	26,000	12,000	26,000	26,000	26,000	26,000	26,000
HC7400	PSDH	Health & Safety Grant / Loans	A new form of assistance available under the council's Housing Renewal Policy 2003-06									
HC7405	PSDH	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06									
HC7410	PSR	Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996		819,000	400,000	400,000	299,800				
HC7465	PSDH	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems									
HC9200	C/S	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation		350,000	42,000	42,000	370,000				
HC9200	C/S	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes		500,000	110,000	110,000	1,790,000	2,900,000			
EC0006	C	CCTV/Town Centre initiative	Expansion of on street CCTV in the town centre to increase safety and secure the environment		55,000	55,000	55,000	50,000	50,000	50,000	50,000	50,000
		<b>HEALTH AND WELL BEING</b>										
	R/P	Art Gallery & Museum Development Scheme	Council's commitment to new scheme as agreed by Council 20th July 2008		1,000,000	0	0	1,000,000	1,000,000			
		Everyman Theatre	Contribution towards the redevelopment project - £1m loan and £250k grant	1,250,000				1,250,000				
	C	<b>INTERIM BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:</b> Telephony switch upgrade						70,300	200,000	200,000	200,000	200,000





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SUMMARY - Year 6 - 7

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2011/12		
PM0000	All properties (H&S)	-	-	-	5,000	-	42,000	42,000
PM0000 Total		-	-	-	5,000	-	42,000	42,000
PM0010	Art Gallery/Museum	-	-	-	-	2,700	5,200	5,200
	Clarence Street (51)	-	-	-	-	-	300	300
	Clarence Street (53)	-	-	-	-	-	300	300
	Clarence Street (55)	-	-	-	-	-	300	300
	Clarence Street Library	-	-	-	-	-	1,000	1,000
PM0010 Total		-	-	-	-	2,700	7,100	7,100
PM0020	Town Hall	-	-	-	83,500	83,500	113,500	113,500
PM0020 Total		-	-	-	83,500	83,500	113,500	113,500
PM0030	Pittville Pump Room	-	-	-	88,700	115,700	136,900	136,900
PM0030 Total		-	-	-	88,700	115,700	136,900	136,900
PM0040	Pittville Cricket Hall	-	-	-	-	12,200	12,200	12,200
	Pittville Rec Centre CP	-	-	-	2,000	2,000	3,000	3,000
	Pittville Recreation Centre	-	-	-	10,000	29,200	65,900	65,900
	Pittville Swimming Pool	-	-	-	5,000	6,500	13,500	13,500
PM0040 Total		-	-	-	17,000	49,900	94,600	94,600
PM0041	PoW Stadium CP	-	-	-	-	4,000	4,000	4,000
	Prince of Wales Stadium Track	-	-	-	2,000	2,000	64,500	64,500
	Prince of Wales Stadium	-	-	-	27,300	27,300	64,300	64,300
PM0041 Total		-	-	-	29,300	29,300	132,800	132,800
PM0042	Agg Gardner Pavilion	-	-	-	-	-	-	-
	Beeches Pavilion	-	-	-	-	-	-	-
	Brizen Pavilion	-	-	-	-	-	-	-
	Burrows Pavilion	-	-	-	12,000	12,000	12,000	12,000
	Central Cross Kiosk	-	-	-	-	-	7,950	7,950
	King George V Pavilion	-	-	-	-	-	-	-
	Mary Godwin Pavilion	-	-	-	-	-	-	-
	Naurton Park Pavilion	-	-	-	-	-	-	-
	Pittville Boat House	-	-	-	-	-	-	-
	Priors Farm Pavilion	-	-	-	141,000	30,000	30,000	30,000
	Welch Road Pavilion	-	-	-	-	-	-	-
	Whaddon Road Pavilion	-	-	-	-	-	-	-
	All Pavilions	-	-	-	5,000	5,000	5,000	5,000
	Hatherley Park Pavilion	-	-	-	-	-	-	-
PM0042 Total		-	-	-	158,000	47,000	54,950	54,950
PM0060	Central Depot (Swindon Rd)	-	-	-	30,000	33,000	90,500	90,500
PM0060 Total		-	-	-	30,000	33,000	90,500	90,500
PM0061	Civic Amenity Centre	-	-	-	-	-	1,500	1,500
PM0061 Total		-	-	-	-	-	1,500	1,500

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2011/12		
PM0070	Municipal Office	-	-	-	20,000	10,000	14,000	14,000
PM0070 Total		-	-	-	20,000	10,000	14,000	14,000
PM0080	Cemetery Gardens	-	-	-	25,000	25,000	25,000	25,000
	Cemetery Lodge	-	-	-	-	500	500	500
	Cemetery Chapel	-	-	-	-	1,200	1,200	1,200
	Cemetery Nursery	-	-	-	-	650	650	650
	Cemetery Offices	-	-	-	4,500	4,500	5,150	5,150
PM0080 Total		-	-	-	29,500	29,500	32,500	32,500
PM0081	The Crematorium	750,000	200,000	455,000	50,000	50,000	111,200	766,200
PM0081 Total		750,000	200,000	455,000	50,000	50,000	111,200	766,200
PM0082	Charlton Kings Cemetery	-	-	-	-	-	650	650
PM0082 Total		-	-	-	-	-	650	650
PM0090	Agg Gardner Recreation Grd	-	-	-	-	-	-	-
	Alma Rd Scouts Hut	-	-	-	-	-	-	-
	Barn Farm	-	-	-	-	-	-	-
	Bath Road (55)	-	-	-	-	-	-	-
	Berkley Mews	-	-	-	19,000	19,000	19,000	19,000
	Brizen Playing Field	-	-	-	-	-	-	-
	Burrows Playing Field	-	-	-	-	-	-	-
	Burts Yard	-	-	-	-	-	-	-
	Caernarvon Rd Recreation Grd	-	-	-	-	-	-	-
	Cambray Place (24)	-	-	-	2,000	2,000	2,000	2,000
	Cheltenham Spa Bowling Club	-	-	-	-	-	-	-
	Cheltenham Town Football Club	-	-	-	-	-	-	-
	Chester Walk (04)	-	-	-	-	-	-	-
	Chester Walk (05)	-	-	-	-	-	-	-
	Church St Nursery School Site	-	-	-	-	-	-	-
	Churchdown Parish Council Offices	-	-	-	-	-	-	-
	Civic Garage	-	-	-	-	-	100	100
	Civil Service Sports Ground	-	-	-	-	-	-	-
	Clyde Crescent Recreation Grd	-	-	-	-	-	-	-
	Dowdy House	-	-	-	-	-	-	-
	Edinburgh Place Shopping Centre	-	-	-	-	-	-	-
	Elmfield Rd Playing Field	-	-	-	-	-	-	-
	Grange Walk Playing Field	-	-	-	-	-	-	-
	Grange Walk Tennis Crt	-	-	-	-	-	-	-
	Grange Walk Youth Club	-	-	-	-	-	-	-
	Griffiths Ave Nature Reserve	-	-	-	-	-	-	-
	Grosvenor Street (39)	-	-	-	-	-	-	-
	Hatherley Park	-	-	-	-	-	-	-
	Haywards Lane Playing Field	-	-	-	-	-	-	-
	Hesters Way Park	-	-	-	-	-	-	-
	Hesters Way Park Stores	-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2011/12		
	Hill Farm	-	-	-	-	-	-	-
	Horse & Groom	-	-	-	-	-	-	-
	Imperial Sq Beer Pavilion	-	-	-	-	-	-	-
	King George V Playing Field	-	-	-	-	-	-	-
	King George V Tennis Crt	-	-	-	-	-	-	-
	King Street (Site of)	-	-	-	-	-	-	-
	Leckhampton Scouts Hall	-	-	-	-	-	-	-
	Montpellier Gardens Bandstand	-	-	-	-	-	-	-
	Montpellier Gardens Lodge	-	-	-	500	-	500	500
	Montpellier Gardens Proscenium	-	-	-	-	-	-	-
	Montpellier Gardens Shelter	-	-	-	-	15,000	15,000	15,000
	Montpellier Gardens Tennis Crt	-	-	-	-	-	-	-
	Naughton Park Recreation Grd	-	-	-	-	-	-	-
	Neptune's Fountain	-	-	-	-	5,000	5,000	5,000
	Old Patesians Sports Club	-	-	-	-	-	-	-
	Pittville Civil Defence Centre	-	-	-	-	-	-	-
	Pittville Park Aviaries	-	-	-	-	-	-	-
	Pittville Park Bandstand	-	-	-	200	-	200	200
	Pittville Park Golf Course	-	-	-	-	-	-	-
	Pittville Park Landing Stage	-	-	-	-	-	-	-
	Pittville Park Tennis Crt	-	-	-	-	-	-	-
	Pittville Parks & Gardens	-	-	-	-	3,500	3,500	3,500
	Playhouse Theatre	-	-	-	-	-	-	-
	Priors Farm Playing Field	-	-	-	-	-	-	-
	Promenade Basement Front	-	-	-	-	-	-	-
	Promenade Long Gardens	-	-	-	-	-	-	-
	Rose & Crown Passage Depot	-	-	-	-	-	-	-
	Royal Crescent (14)	-	-	-	-	-	-	-
	Royal Well Bus Station	-	-	-	-	-	-	-
	Royal Well Clock	-	-	-	-	-	-	-
	Sandford Park	-	-	-	-	-	-	-
	Sandford Park Offices	-	-	-	-	-	-	-
	Sandy Lane Playing Field	-	-	-	-	21,300	21,300	21,300
	Shopmobility	-	-	-	-	-	-	-
	Six Ways Hall	-	-	-	-	-	-	-
	St Georges Place (03)	-	-	-	-	-	-	-
	St Georges Place Burial Groun	-	-	-	-	-	-	-
	St James Street (08)	-	-	-	-	-	-	-
	St James Street (12)	-	-	-	-	-	-	-
	St James Street (14)	-	-	-	-	-	-	-
	St James Street (28)	-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2010/11 REVISED		
	St James Street (30)	-	-	-	-	-	-	-
	St James Street (32-34)	-	-	-	-	-	-	-
	St James Street (36-38)	-	-	-	-	-	-	-
	St Margaret's Hall	-	-	-	-	-	-	-
	St Margaret's Scouts Hall	-	-	-	-	-	-	-
	St Mary's Mission	-	-	-	-	-	200	200
	St Pauls Terrace (04)	-	-	-	-	-	-	-
	St Stephens Cricket Pavilion	-	-	-	-	-	-	-
	Swindon Road (08)	-	-	-	-	-	-	-
	Swindon Road (14)	-	-	-	-	-	-	-
	Swindon Road Depot (Mitton's Garage)	-	-	-	-	-	-	-
	Swindon Road Depot (Pipeline Compound)	-	-	-	-	-	-	-
	Swindon Road Depot (PMF)	-	-	-	-	-	-	-
	Swindon Road Depot (Tipweld)	-	-	-	-	-	-	-
	Swindon Village Playing Field	-	-	-	-	-	-	-
	TAVR Centre	-	-	-	-	-	-	-
	The Beeches Playing Field	-	-	-	-	-	-	-
	Tramway Cottage	-	-	-	-	25,000	25,200	25,200
	Queen Elizabeth II Recreation Ground	-	-	-	-	-	7,000	7,000
	Up Hatherley Way Playing Field	-	-	-	-	-	-	-
	Welch Road Playing Field	-	-	-	-	-	-	-
	Whaddon Rd Bowling Club	-	-	-	-	-	-	-
	Whaddon Recreation Ground	-	-	-	-	-	-	-
PM0090 Total		-	-	-	-	90,800	99,400	99,400
PM0091	Everyman Theatre	-	-	-	-	35,000	35,000	35,000
PM0091 Total		-	-	-	-	35,000	35,000	35,000
PM0092	Cemetery Nursery	-	-	-	-	-	-	-
	Central Nursery	-	-	-	-	26,700	27,800	27,800
	Central Nursery House 1	-	-	-	-	12,000	12,000	12,000
	Central Nursery House 2	-	-	-	-	8,000	8,000	8,000
PM0092 Total		-	-	-	-	46,700	47,800	47,800
PM0095	Edinburgh House	-	-	-	-	2,500	2,200	2,200
PM0095 Total		-	-	-	-	2,500	2,200	2,200
PM0096	Stanton Rooms	-	-	-	-	-	400	400
PM0096 Total		-	-	-	-	-	400	400
PM0099	Memorials/Statues/Fountains	-	-	-	-	-	400	400
PM0099 Total		-	-	-	-	1,000	3,000	3,000
PM0120	Arle Court Park/Ride	-	-	-	-	1,000	3,000	3,000
	Baynham Way CP	-	-	-	-	-	-	-
	Bennington Street CP	-	-	-	-	-	-	-
	Chapel Walk CP	-	-	-	-	-	-	-
	Coronation Square CP	-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2010/11 REVISED		
PM0120 Total		-	-	-	8,000	8,000	8,000	8,000
PM0121	Glenfall Street CP	-	-	-	-	-	-	-
PM0121 Total	Jersey Street CP	-	-	-	-	-	-	-
PM0123	Phoenix Passage CP	-	-	-	-	-	-	-
PM0123 Total	Pittville Park Golf Course CP	-	-	-	-	-	-	-
PM0124	Race Course Park/Ride	-	-	-	-	-	-	-
PM0124 Total	Rodney Road CP	-	-	-	-	-	-	-
PM0125	Sidney Street CP1	-	-	-	-	-	-	-
PM0125 Total	Sidney Street CP2	-	-	-	-	-	-	-
PM0126	Springbank Way CP	-	-	-	-	-	-	-
PM0126 Total	St. Peter's Rec Ground CP	-	-	-	-	-	-	-
PM0127	High Street CP	-	-	-	-	-	-	-
PM0127 Total	Whitehart Street CP	-	-	-	-	-	-	-
PM0128	Commercial Street CP	-	-	-	-	-	-	-
PM0128 Total	Grosvenor Terrace Multi-Storey CP	-	-	-	-	-	-	-
PM0129	Commercial Street CP	-	-	-	-	-	-	-
PM0129 Total	High Street CP	-	-	-	-	-	-	-
PM0130	Commercial Street CP	-	-	-	-	-	-	-
PM0130 Total	High Street CP	-	-	-	-	-	-	-
PM0131	Commercial Street CP	-	-	-	-	-	-	-
PM0131 Total	High Street CP	-	-	-	-	-	-	-
PM0133	Commercial Street CP	-	-	-	-	-	-	-
PM0133 Total	High Street CP	-	-	-	-	-	-	-
PM0134	Commercial Street CP	-	-	-	-	-	-	-
PM0134 Total	High Street CP	-	-	-	-	-	-	-
PM0135	Commercial Street CP	-	-	-	-	-	-	-
PM0135 Total	High Street CP	-	-	-	-	-	-	-
PM0136	Commercial Street CP	-	-	-	-	-	-	-
PM0136 Total	High Street CP	-	-	-	-	-	-	-
PM0137	Commercial Street CP	-	-	-	-	-	-	-
PM0137 Total	High Street CP	-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2010/11 REVISED		
PM0139	Bath Parade CP	-	-	-	-	-	-	-
PM0139 Total		-	-	-	-	-	-	-
PM0150	Honeybourne Line Folly Lane Bridge	-	-	-	3,000	3,000	3,000	3,000
	Honeybourne Line Lower High St Bridge	-	-	-	40,000	40,000	40,000	40,000
	Honeybourne Line Malvern Rd Bridge	-	-	-	7,000	7,000	7,000	7,000
	Honeybourne Line Market St Bridge	-	-	-	5,000	5,000	5,000	5,000
	Honeybourne Line St. Paul's Rd Bridge	-	-	-	35,000	35,000	35,000	35,000
	Honeybourne Line Swindon Rd Bridge	-	-	-	8,000	8,000	8,000	8,000
PM0150 Total	Kingham Lane Bridge	-	-	-	98,000	98,000	98,000	98,000
PM0160	Ambrose Street WC	-	-	-	-	-	500	500
	Bath Terrace WC	-	-	-	-	-	-	-
	Church Piece WC	-	-	-	-	-	300	300
	Cox's Meadow WC	-	-	-	-	-	300	300
	Edinburgh Place WC	-	-	-	-	-	-	-
	Grosvenor Terrace WC	-	-	-	-	-	-	-
	Imperial Gardens WC	-	-	-	-	-	300	300
	Montpellier WC	-	-	-	-	-	-	-
	Pitville Park WC	-	-	-	-	-	-	-
	Portland Street WC	-	-	-	-	-	300	300
	Royal Well WC	-	-	-	-	-	300	300
	Sandford Park WC	-	-	-	-	-	300	300
	All WCs	-	-	-	12,500	15,000	23,000	23,000
PM0160 Total		-	-	-	12,500	15,000	25,300	25,300
<b>Grand Total</b>		<b>750,000</b>	<b>200,000</b>	<b>655,000</b>	<b>811,000</b>	<b>751,600</b>	<b>1,157,800</b>	<b>1,812,800</b>
<b>External Funding</b>								
	Gloucestershire County Council	-	-	-	-	-	-	-
	Recreation Centre Maintenance Reserve	-	-	-	-	-	-	-
	War Commission	-	-	-	-	-	-	-
<b>Total Net Cost to General Fund</b>		<b>750,000</b>	<b>200,000</b>	<b>655,000</b>	<b>811,000</b>	<b>751,600</b>	<b>1,157,800</b>	<b>1,812,800</b>
<b>Housing Revenue Account</b>								
		-	-	-	-	-	2,200	2,200



**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17****1. Introduction**

- 1.1 The Medium Term Financial Strategy (MTFS) is the council's key financial planning document. It sets out, and considers the financial implications of the council's objectives and priorities. The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the council to achieve its vision, aims and ambitions over the next 5 years.
- 1.2 The council is committed to maximising the use of scarce resources and directing resources towards its priorities whilst keeping council tax at an affordable level. The MTFS is reviewed regularly and reported to Members during the budget process and at budget setting annually.
- 1.3 The identification of efficiencies and other savings (including increases in fees and charges) has enabled the council to reallocate available resources to achieve the introduction of new or enhanced services (e.g. new recycling initiatives).
- 1.4 The purpose of this document is to formulate a financial strategy which will guide the management of the council's finances during a period of very tight external financial constraint. The strategy considers the factors and influences on the council's resources.
- 1.5 This year's review is once again overshadowed by the national economic climate. The council faces a major challenge in managing the impact of the recession on budgets and services, including the impact of falling interest rates coupled with tight government grant settlements. Most of the issues had already been anticipated but not to the extent now being experienced.
- 1.6 The strategy covers the period 2011/12 - 2016/17 and sets out the resource issues and principles that shape the budget; identifies current issues and considers potential developments / related issues that are likely to provide the basis for future revenue and capital budgets.
- 1.7 The Housing Revenue Account (HRA) is not included, as a separate budget and Business Plan is produced for the HRA to cover its planning processes.

**2. Links to other Council Plans**

- 2.1 Cheltenham Borough Council's Corporate Strategy 2010 to 2015 was agreed in March 2010. The strategy sets out what the council is hoping to achieve over the next five years and what actions were planned to be taken in the first year (2010/11) to support these longer-term plans.
- 2.2 The corporate strategy provides over-arching long term framework for the MTFS, annual budget and action plan which will be reviewed and updated annually.

**The council's objectives**

- 2.3 The council agreed that it should move to fewer high-level objectives to help us be clearer about our priorities and that these objectives must reflect the

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**

reality of community needs and provide a framework for community outcomes.

- 2.4 The strategy sets out the following three community objectives:
- Enhancing and protecting our environment;
  - Strengthening our economy; and
  - Strengthening our communities.
- 2.5 These are supported by two cross-cutting objectives of:
- Enhancing the provision of arts and culture; and
  - Ensuring we provide value for money services that effectively meet the needs of our customers.

**The council's outcomes**

- 2.6 The outcomes are critical in that they describe the improvements we will make to improve the well-being of the whole population of Cheltenham. By putting outcomes centre-stage in our strategy, we are making a commitment that our customers and communities will judge us by how well we are improving the quality of life rather than other measures of success.
- 2.7 Some of these outcomes we will be able to deliver by ourselves, but for many other outcomes we will have to work in partnership with other organisations.
- 2.8 From the consultation activities and the needs analysis we are proposing a set of outcomes the council should be focusing on.

Objectives	Outcomes
Enhancing and protecting our environment.	Cheltenham has a clean and well-maintained environment.
	Cheltenham's natural and built environment is enhanced and protected.
	Carbon emissions are reduced and Cheltenham is able to adapt to the impacts of climate change.
Strengthening our economy.	Cheltenham is able to recover quickly and strongly from the recession.
	We attract more visitors and investors to Cheltenham.
Strengthening our communities.	Communities feel safe and are safe.
	People have access to decent and affordable housing.
	People are able to lead healthy lifestyles.
	Our residents enjoy a strong sense of community and involved in resolving local issues.
Enhancing the provision of arts and culture.	Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment.
Ensuring we provide value for money services that effectively meet the needs of our customers.	The council delivers cashable savings, as well as improved customer satisfaction overall and better performance through the effective commissioning of services.

- 2.9 The outcomes also relate back to the nine community aims set out in Cheltenham's Sustainable Community Strategy. This means that the council

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**

is continuing its commitment to support the delivery of the community strategy.

- 2.10 The role of the MTFS is to support the delivery of the council's objectives and outcomes. A key delivery driver for this to be achieved is through joint plans with partners and stakeholders alike which are detailed in section 8 below.

**3. Financial Projections – Revenue Resource Requirements**

- 3.1 The key aim of the MTFS is to develop a series of financial projections to determine the longer term financial implications, in order to deliver the aims set out in the council's business plan.
- 3.2 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability. The package of measures required to equalise the two forms the financial strategy to 'bridge' the funding gap for each financial year.
- 3.3 The projections of the funding gap based on council tax increases of 2.5%, 3.5% and 5% are shown in Table 1. The base budget projection reflects the transfer of responsibility and funding for concessionary fares from CBC to Gloucestershire county council.

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17****Table 1: Projection of Funding Gap**

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		14,077,293	13,609,666	13,559,089	13,528,263	13,763,639
<b>Increased costs of existing services</b>						
General Inflation		200,000	200,000	200,000	200,000	200,000
Employee related expenditure		57,700	392,100	381,400	387,800	394,700
Pension costs - 2004 Revaluation		50,000	50,000			
Pension costs - 2010 Revaluation		110,000	82,000			
Pension costs - 2013 Revaluation				120,000	120,000	120,000
Landfill Tax		40,000	41,100	41,100		
Maintenance of watercourses, streams and ditches		30,000				
<b>Income</b>						
Fees and Charges		(348,700)	(356,500)	(366,400)	(375,100)	(384,600)
Investment Income		17,400	(77,800)			
Specific grant to fund council tax freeze					197,000	
<b>Reserves</b>						
Property repairs & renewals fund		200,000	200,000	200,000	107,000	
<b>Projected Net Cost of Service</b>	<b>14,077,293</b>	<b>14,433,693</b>	<b>14,140,566</b>	<b>14,135,189</b>	<b>14,164,963</b>	<b>14,093,739</b>
Government Grants	(6,098,332)	(5,473,039)	(5,199,387)	(4,939,418)	(4,939,418)	(4,939,418)
Collection Fund surplus	(59,500)					
Council Tax (assumes 2.5% increase from 2012/13)	(7,919,461)	(8,136,627)	(8,359,702)	(8,588,846)	(8,824,221)	(9,065,998)
<b>Projected Funding Gap</b>	<b>-</b>	<b>824,027</b>	<b>581,477</b>	<b>606,925</b>	<b>401,324</b>	<b>88,323</b>
<b>Cumulative Funding Gap</b>		<b>824,027</b>	<b>1,405,504</b>	<b>2,012,429</b>	<b>2,413,753</b>	<b>2,502,076</b>
<b>Funding Gap Projections:</b>						
Council Tax (assumes 3.5% increase)		744,645	496,947	516,996	305,734	(13,202)
Cumulative Funding Gap		744,645	1,241,592	1,758,588	2,064,322	2,051,120
Council Tax (assumes 5.0% increase)		625,572	367,168	375,785	152,318	(179,639)
Cumulative Funding Gap		625,572	992,740	1,368,525	1,520,843	1,341,204

3.4 The key assumptions for the preparation of these projections are explained below.

#### 4. Key Assumptions

##### General

- 4.1 The net cost of services has been estimated by using the 'approved' 2011/12 base budget (subject to council approval on 11<sup>th</sup> February 2011) as the base for future projections through to 2016/17.
- 4.2 General inflation on supplies, services, and non-domestic rates has been projected based on previous detailed information. Gas and electricity prices will remain static until the contracts come up for renewal at the end of October 2011. Current feedback from our advisors indicates that the council should not expect a significant price rise when entering into new contracts. Work is already starting on the energy tenders and the council will aim to buy from the markets at the most appropriate time to get the lowest prices, given the best

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**

information available. However, gas transportation and distribution charges are due to increase by around 2% from April 2011. This equates to around £8,400 additional annual cost.

- 4.3 The retail cost of fuel is heavily linked to the global cost of oil and the Dollar/Sterling exchange rate. The recent reduction in the global cost of oil is now being reversed, current prices are rising and although still fluctuating, have now exceeded their peak levels of 2008.
- 4.4 Major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement.

**Employee related costs**

- 4.5 In line with the 2010 budget report a pay freeze on public sector pay settlements (excluding increments) in 2011/12 and 2012/13 is factored into the projections. Pay settlements for the years 2013/14 to 2016/17 are estimated to be 2% per annum.
- 4.6 An allowance has been included for incremental progression in 2012/13 as a result of single status. The net cost of service assumes an employee turnover saving of 3% of gross pay budget.
- 4.7 Currently the unions are lobbying for a pay award for lower paid workers for a flat rate of £250 for those earning under £21k per annum. This would cost the authority around £88k. Given the financial settlement and the uncertainty over whether this will be supported, no budgetary provision has been made for this. Had this been built into the budget, additional savings with potential staffing implications would have had to be made. The decision to deal with any financial consequences of an agreement above a pay freeze within the revised budget for 2011/12 is prudent given the uncertainty and implications of allowing for it.
- 4.8 The council is part of the Gloucestershire Pensions Fund, which is administered by the County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary.
- 4.9 The most recent triennial revaluation of the Fund was based on the position as at 31<sup>st</sup> March 2010, the draft results of which were published in December 2010. The valuation found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.
- 4.10 Contribution rates are calculated on an individual basis for each participating employer. For the council's element of the fund, the funding level was assessed at 66% (compared with 75.3% in 2007), with a shortfall of £34.1m. The fund actuary is aiming for this deficit to be recovered over a 20 year period, giving the following target contribution rates for the council (for this three-year valuation period):
- a 14.65% future service rate which should cover the liabilities scheme member's build up in the future, plus

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**

- an annual lump sum past service deficit contribution of £1.387m in 2011/12 (rising to £1.728m by 2013/14), to cover the shortfall in the fund.
- 4.11 The net pension fund liability as at 31<sup>st</sup> March 2010 is £70.405m as reported in the 2009/10 Statement of Accounts.
- 4.12 The PBR announced reforms to public service pensions from 2012/13 onwards whereby employer contributions to local government pensions will be capped. Cost increases below the cap will be shared equally between employers and employees, and those above the cap met solely by employees. The Government also expect those earning the highest salaries to pay a greater contribution towards their pension. It is unclear at this stage what cap will be set and we await further confirmation from the Government.
- 4.13 Following recent events, the Section 151 Officer has discussed the current position with the actuary who has indicated that, given the uncertainty over this area of activity future projections of potential increases in contributions resulting from the 2013 revaluation based on 1% per annum over remainder of the period of the MTFS.

**Landfill Tax**

- 4.14 Central Government is applying a cost escalator for landfill tax which increases the cost of commercial waste disposal by £8 per tonne, year on year until 2014/15. Although factored into the projections at £41,100 per annum, it is worth noting that all commercial operators will face the same cost challenge. It is not unreasonable, therefore, to expect the market to stand an above inflationary increase in fees to cover this additional cost. This does not give the Authority a disadvantageous cost structure compared with the local competition.

**Flood Resilience**

- 4.15 The council was successful in applying for a one-off grant to deal with restoration work following the July 2007 floods. In setting the 2009/10 budget, the Cabinet decided that £90,000 of the grant should be earmarked for the maintenance of watercourses, streams and ditches over a three-year period. Given the desire to ensure maintenance continues, funding will need to be built into the base budget from 2012/13.

**Fees and Charges**

- 4.16 A general assumption for a 2.5% increase in fees and charges (including car parking) has been factored in, but reviews of all charges are required annually by Service Managers.

**Treasury Management**

- 4.17 Investment income from cash investments falls in 2012/13. This trend was acknowledged in the previous MTFS and is largely due to cash balances (i.e. ear-marked reserves) being consumed, essentially to finance the council's

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**

capital programme and to fund property maintenance, single status and increased pension contributions. Whilst there is an option to take out prudential borrowing, it has been assumed for MTFS purposes that the capital programme will continue to be financed from capital receipts, grants (including S106 developer contributions), and revenue contributions and that borrowing will only take place if absolutely necessary.

- 4.18 Investment interest is forecast to be £77,800 favourable in 2013/14 as interest rates are forecast to rise to around 3%. The consolidated rate for borrowing should also increase over the MTFS which would entail the HRA making an increase in debt repayments to the GF.

**Specific Grant – Council Tax freeze**

- 4.19 The Government has confirmed that a specific grant will be paid to authorities who set their basic amount of council tax for 2011/12 at a level which is no more than its basic amount of council tax for 2010/11 equivalent to a 2.5% increase in its 2010/11 basic amount of council tax multiplied by the authority's tax base for 2011/12. For Cheltenham this equates to £197,000.
- 4.20 The spending review concluded that funding can only be provided to support a council tax freeze in 2011/12. However, the Government intends to provide supplementary funding to authorities throughout this spending review via a specific section 31 grant to compensate them for the council tax foregone during the period of the freeze. For financial planning purposes, it is assumed that this grant will cease at the end of this spending review in 2015/16.

**Property Maintenance**

- 4.21 Current projections (as detailed in the amended 20 year maintenance programme) indicate a requirement to fund property maintenance of circa £1.4m per annum from revenue contributions which will be achieved in 2015/16.

**Government Support**

- 4.22 The main issue in terms of funding availability is the estimation of the level of Government grant which the council will receive. Although this has been set for the period to 2012/13 as part of the Comprehensive Spending Review 2010 (CSR10), future settlements may impact on effective longer-term financial planning and sustainability.
- 4.23 Given the severity of the cuts to funding levels, the two year proposal and the lateness of the settlement, does not provide stability and predictability in local government funding.
- 4.24 For the purpose of projecting the funding gap, it is estimated that the level of government grant and share of the national non domestic rates pool will decrease by a further 5% in 2013/14 and 5% reduction in 2014/15 (i.e. a 31.28% reduction overall for the period of the spending review CSR10).

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17****Council Tax**

- 4.25 Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates. This is assessed annually although the current economic climate could have an adverse impact on this source of one off funding and therefore no increases have been assumed for the period covered in this MTFS.
- 4.26 The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The council's taxbase is estimated to increase by 100 each year for the purposes of the MTFS. This is a lesser increase than in recent years and reflects the slowdown in the housing market and the reduction in the number of new properties being built.

**Funding Gap**

- 4.27 Given Government restrictions on local authorities increasing council tax and the subsequent reduction in government funding, the council has faced a significantly more challenging financial position. The latest projections indicate a gap of £2.502m for the period of the MTFS (2012/13 to 2015/16) assuming a 'standstill' position in central government funding with 2.5% annual increase in council tax. The improvement in the baseline 5 year projection reflects the following:
- impact of capping pay increases on pay
  - delivery of the BtG programme savings in the earlier years
  - achieving the target annual funding level for property maintenance

**5. Strategy for 'bridging' the projected funding gap**

- 5.1 The council could reduce the projected funding gap by increasing council tax above 2.5%. Council tax increases of 5% would generate an additional circa £200,000 per annum although this approach would be unpopular in the current economic climate.
- 5.2 The council has identified a number of work-streams which form the longer term strategy for 'bridging the gap' which are detailed below.

**5.3 Service Reviews and Benchmarking**

- 5.3.1 The council is keen to ensure that services are of the highest quality and lowest cost. Understanding the council's own costs and how they compare with others is key to achieving this. Many of the council's services undertake annual benchmarking exercises using statistical data and analysis that already exists, e.g. Chartered Institute of Public Finance and Accountancy Statistical Information Service (CIPFA S.I.S.) statistics and benchmarking clubs.



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5.3.2 In preparation for commissioning, the council is keen to see all services benchmarked but recognises the volume of work required to continually do so. In preparation for commissioning, a programme of service reviews and benchmarking will be developed to support the commissioning programme over the MTFs. This will help facilitate work with SLT and Members, via the budget working group, on the developing future outcomes for services.

**5.4 Asset Management**

5.4.1 The council has a significant property portfolio including some key public buildings which place significant pressure on the council's budget and represents a significant cost to the tax payer. Annually the council is planning to increase its budget by some £200k (equivalent to 2.5% council tax) in order to pay the annual cost of around £1.4m on the maintenance of public buildings.

5.4.2 The council is aiming to reduce the net cost of the council's property portfolio through increasing income streams or reducing management and operational costs of the council's property portfolio. The council has produced an updated Asset Management Plan which will outline the council's strategic approach to asset management.

5.4.3 A review of the asset base could identify potential property disposals which will both raise capital resources (capital receipts) and reduce the incidental costs of holding properties (e.g. on-going maintenance costs, business rates, etc). Similarly, vacant properties are being reviewed to identify alternative uses that might better support the council's business plan objectives and generate an income. It is worth noting however, that it has proved difficult to release savings from property rationalisation in the current economic climate.

**5.5 Service Improvement through 'Systems Thinking'**

5.5.1 The council has adopted a strategy for improving service delivery by:

- designing the service to meet customers needs and expectations, and
- optimising the realisation of cashable efficiency gains by removing failure demand and waste from the system

5.5.2 The principal aim of the work is to examine how services are provided in order to seek improvements and efficiencies and reduce costs through the use of 'systems thinking' analytical approaches. This has also been very successful with 'interventions' in a number of areas which have resulted in more efficient services and are projected to deliver savings in the process.

**5.6 Shared Services**

5.6.1 There has been major progress in the establishment of shared service arrangements with some significant achievements being made over a relatively short period of time. Recently the council has established a shared

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audit service with Cotswold District council and West Oxfordshire District council and shared Legal and Building Control services with Tewkesbury Borough council.

- 5.6.2 A more significant and complex piece of work is the programme for a shared Enterprise Resource Planning (ERP) system to replace individual payroll, HR, finance and procurement systems in 4 district councils (the other 3 districts are Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council) and Cheltenham Borough Homes with one system which will be a platform for a shared service for Finance and HR across these 4 districts.
- 5.6.3 Both Cheltenham Borough council and Tewkesbury Borough council have been examining options for joint working in waste services as members of the Gloucestershire Waste Partnership. The Joint Municipal Waste Management Strategy 2007 – 2020 makes a clear commitment to partnership working to make waste management more sustainable, including the development of service delivery partnerships with other authorities and the private sector. Both councils subsequently considered and accepted a detailed business case that outlines a programme of change to deliver significant efficiency savings across the partnership, with savings being achieved on both collection and disposal budgets. The timeline for change and realisation of the full range of savings is stretched over a period of 10 years.

**5.7 SLT options**

- 5.7.1 As part of the BtG work, the Senior Leadership Team was asked to consider the implications in their services of a 20% cut in order to generate ideas. The Cabinet considered these options in arriving at their budget proposals.
- 5.7.2 'Invest to save' initiatives will be encouraged to ensure long-term efficiencies in service delivery and value for money are delivered. These initiatives may well require some up-front capital investment, the criteria for which are outlined in the capital strategy which was approved by council in February 2009.

**5.8 Commissioning**

- 5.8.1 Over the last 2 years the "bridging the gap" programme has been successful in delivering savings to close the budget gap without any detrimental impact upon service delivery. However, the unprecedented financial pressures now being faced by the council, and outlined in this MTFs, require a different strategy to be adopted for service design and delivery. The objective of adopting a different approach is to deliver the best outcomes for individuals and communities in the context of the MTFs. When services are redesigned it is important that citizens, service users and council tax payers are the focus and to this end the council is working towards becoming a commissioning council adopting a strategic commissioning approach.
- 5.8.2 Strategic commissioning is not a new idea; the NHS has been using commissioning extensively for many years and legislation particularly in the social care and children's service areas has moved service design to embrace a commissioning approach. Commissioning is defined by the

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Cabinet Office as "the cycle of assessing the needs of people in an area, designing and then securing appropriate service". Commissioning requires better partnership/cross agency working, prioritisation to ensure resources (finance, people and assets) are used to best effect to deliver clearly defined outcomes which all parties to the commissioning approach are aligned behind. Commissioning judgements will be made transparently and objectively with a focus on outcomes leaving the method of delivery to the provider of the service. By adopting this strategic approach services will be transformed, where warranted, and may not necessarily as at present be provided through a directly employed workforce; a mixed economy (sharing services, outsourcing, creation of "not for profit" vehicles, third sector) approach to delivery of services may result. The key tests for commissioning will be good quality services, with outcomes for the citizen and community at the heart of their provision and which have long term financial viability.

- 5.8.3 The MTFS assumes some initial savings from commissioning as a result of the senior management restructure approved by council. Whilst there are currently no target for specific commissioning projects there is an expectation, from within the organisation and amongst members, that this approach will deliver savings over the period of the MTFS.

**5.9 The Residual Funding Gap**

- 5.9.1 Taking into account that the identified work-streams are delivered throughout the period covered by this MTFS, the projected residual funding gap (assuming a 2.5% increase in council tax annually) is shown below in Table 2.

Table 2: Projection of Residual Funding Gap

	2012/13	2013/14	2014/15	2015/16	2016/17
	£	£	£	£	£
<b>Projected Funding Gap @ 2.5% Council Tax (Table 1)</b>	<b>824,027</b>	<b>581,477</b>	<b>606,926</b>	<b>401,324</b>	<b>88,323</b>
<b>Identified Work-streams</b>					
Service Reviews	(153,100)	(18,400)	(6,000)	(300)	
Asset Management	(29,700)	(111,100)	(37,900)	(11,100)	
Service Improvement	(115,000)				
Shared Services	(50,000)	(178,800)			
Commissioning	(69,000)	(15,000)			
Other Major Projects	(168,800)				
<b>Projected Residual Funding Gap</b>	<b>238,427</b>	<b>258,177</b>	<b>563,026</b>	<b>389,924</b>	<b>88,323</b>
<b>Cumulative Projected Residual Funding Gap</b>	<b>238,427</b>	<b>496,604</b>	<b>1,059,630</b>	<b>1,449,554</b>	<b>1,537,877</b>

- 5.9.2 It should be noted that the current MTFS does not assume any recovery in the current economic climate and therefore, the view could be taken that the current MTFS predicts the worst case scenario.
- 5.9.3 The council is seeing the impact of the economic downturn on many services. As the economic crisis has deepened, the council has witnessed a more significant reduction in income levels for many of its service areas resulting in the need to revise income estimates further downwards. The income from development control, property rentals, land charges and car parking has declined to unprecedented levels.

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- 5.9.4 In addition, the Bank of England base rate cut to 0.5% has resulted in a significant reduction in the base budget for investment interest.
- 5.9.5 Recovery within the economy over the course of the current MTFs would obviously assist in closing the projected funding gap although some costs (e.g. pay awards) may also increase.

**6. Financial Projections – Capital Resource Requirements**

- 6.1 The council's capital strategy is geared towards ensuring the maximisation of resources available to the council.
- 6.2 The council has budgeted to make a revenue contribution to capital outlay (RCCO) Capital Reserve of £700,000 in 2011/12. This reserve funds part of the capital programme which generally consists of 3 areas of expenditure (i) replacement of play equipment (ii) replacement of CCTV equipment and (iii) mandatory costs of disabled facilities grant, totalling £500,000. Assuming additional one off schemes of circa £200,000, the council has an approximate capital programme to be funded from RCCO of £700,000 annually which is now fully budgeted for.
- 6.3 The remainder of the capital programme is funded from other sources e.g. specific grants; however, the Private Sector Renewal Policy requires amendment following the Government's decision to cease providing private sector renewal funding. Capital received over the last two years, partly as a result of bidding and partly as a result of formulae allocation, has been carefully managed to avoid over commitment if government funding should cease. This careful planning means that loans to safeguard the health and safety of the most vulnerable people in Cheltenham will still be available while previous funding lasts. Limited funding now means that only the most financially vulnerable residents should be able to access funds, where their health and safety is at risk from a category 1 health hazard, as measured by the Health and Safety Rating System. The hope remains that other sources of Government funding to finance this important area become available in the future
- 6.4 In order to progress new capital schemes not already identified within the MTFs, the council will need to prioritise the use of available resources detailed in the Capital Strategy which could involve the disposal of existing assets or prudential borrowing on a scheme by scheme basis.

**7. Financial Projections - Reserves**

- 7.1 A review of earmarked reserves in February 2009 resulted in an increase to the General Reserve. This reserve is held to protect existing service levels from further fluctuations in interest rates, potential implications from the Icelandic banks situation and reduction in income levels as a result of the economic downturn
- 7.2 External factors such as the flooding in 2007 and the problems experienced by the global financial markets in 2008 have highlighted the importance for authorities to maintain an appropriate level of reserves. This prompted

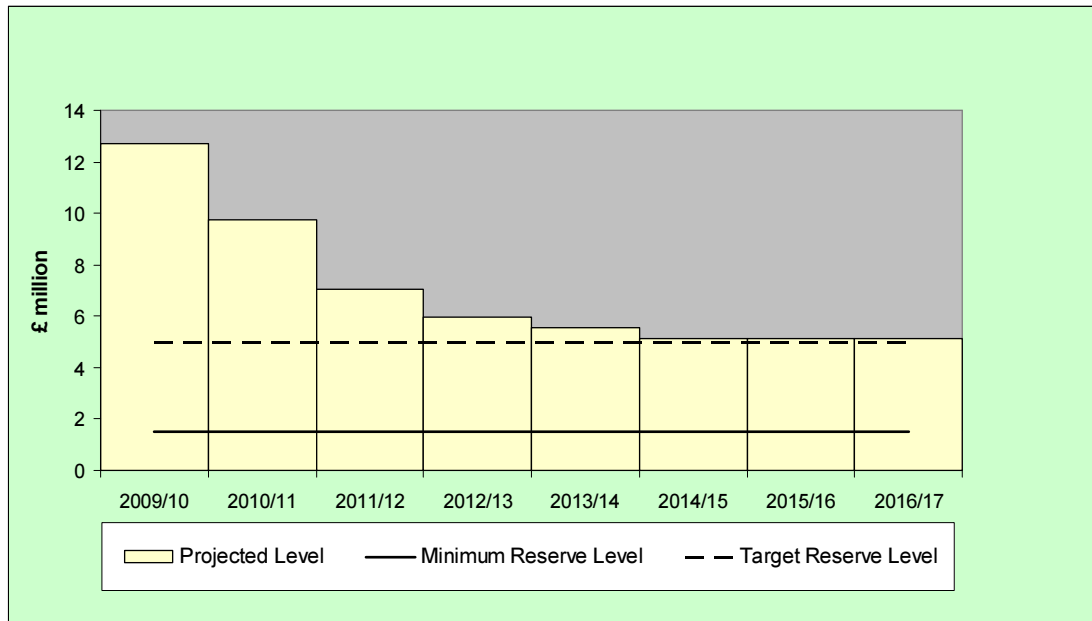
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CIPFA's Local Authority Accounting Panel (LAAP) to issue a bulletin on local authorities' reserves and balances.

- 7.3 As part of the annual budget setting process and in reviewing the MTFS, the council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:
- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
  - a means of building up funds (earmarked reserves) to meet known or predicted requirements.
- 7.4 The council has benefited from a strong economy over a number of years which has enabled it to earmark significant funds to specific reserves. These are reviewed twice yearly by full council under the guidance of the Chief Finance Officer.
- 7.5 Over the course of this MTFS, a number of earmarked reserves will be depleted as they are used to finance planned expenditure. It is also the case that reserves used to finance the capital programme and property maintenance will reach the levels required to fund existing commitments within this MTFS
- 7.6 The proposed net budget requirement for 2011/12 is £14,077,293, which includes a net transfer to reserves of £429,543. When taking into account the proposals to support one-off growth in 2011/12 and revenue contributions used to fund the capital programme in 2010/11 and 2011/12, the level of reserves held by the council is projected to be £7,048,122 by 31<sup>st</sup> March 2012
- 7.7 The projected position for General Fund reserves to 2016/17 is shown below in Table 4:

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Table 4: General Fund Reserves Projection 2009/10 to 2016/17



- 7.8 In view of the current economic climate and the risks associated with holding Icelandic investments, the Chief Finance Officer has maintained that General Reserves should be maintained in the range of £1.5m to £2m. In order to ensure that the council holds significant reserves to cover the purposes for holding reserves (as outlined in 7.4) a target projected reserve level of £5m has been set.
- 7.9 The projection shown in Table 4 is important as it demonstrates that the uneven impact of unavoidable cost pressures can be handled, whilst providing temporary use of reserves to support the budget if required.
- 7.10 The graph demonstrates that the level of reserves held over the course of the MTFS is projected to remain above the projected target of £5m throughout the course of this MTFS.
- 7.11 Risk analysis and a determination of the adequacy of the level of reserves will remain a key element within the Chief Finance Officer's annual section 25 report, in conjunction with the final budget proposals.

## 8. Working in Partnership

- 8.1 Partnerships form the basis of an increasing range of the council's services and extend from joint activities within a loose working arrangement to complex and formally structured vehicles for service delivery.
- 8.2 The council welcomes the opportunity to work with partner organisations to deliver our proposed outcomes as this adds value for the taxpayers of Cheltenham but will always seek to ensure that the:
- Financial viability of partners is assured before committing to an agreement

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- Responsibilities and liabilities of each of the partners is clearly understood by parties to any agreement;
- Accounting arrangements are established before any payments are made; and
- Implications of the terms and conditions of any funding arrangements are considered before any monies are accepted.

**8.3 Cheltenham has a clean and well-maintained environment**

- 8.3.1 The council works with a range of community-based organisations to promote a clean and well-maintained environment such as Cheltenham in Bloom to promote awareness of the importance of Cheltenham's floral heritage amongst the borough's residents and businesses and to involve the community in celebrating the borough's beauty and the Tidy Cheltenham Group to promote a clean environment.

**8.4 Cheltenham's natural and built environment is enhanced and protected**

- 8.4.1 We are working in partnership with Gloucestershire County Council and other partners to coordinate the Cheltenham Local Development Taskforce project that will result in significant investment into the borough to secure its longer-term economic success whilst improving its look, its ambience and its associated transport infrastructure.

**8.5 Carbon emissions are reduced and Cheltenham is able to adapt to the impacts of climate change**

- 8.5.1 The council supports partnership working in the county through the Gloucestershire Waste Partnership and has adopted a county wide Joint Municipal Waste Management Strategy. It is also proposed to share a waste management team with Tewkesbury Borough Council, to progress towards shared service delivery in waste management by April 2012. This will be achieved in a structured and incremental way with progress dependant on individual authority agreement at key milestones. The council also works in partnership with Vision 21 Gloucestershire to support Community Recycling Champions who promote waste reduction, re-use and recycling within their local community and puts £5,200 per annum to support the work of the Low Carbon Partnership which is focusing on reducing carbon emissions from energy and transport use.

**8.6 Cheltenham has improved access and travel options**

- 8.6.1 The council works closely with the Highway Authority, Gloucestershire County Council, and its delivery arm, Gloucestershire Highways, to enhance and maintain the street scene. In recognition of the added value that Cheltenham Borough Council can deliver to street scene services a highway agency agreement for grounds maintenance was adopted in April 2008, with the Borough carrying out a range of services on behalf of the County and match funding the replacement programme for street trees

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17****8.7 Cheltenham is able to recover quickly and strongly from the recession**

- 8.7.1 The council has 15 service level agreements in place with a range of partners to secure delivery of its economic development strategy worth over £240,000; significant SLA's include those with Gloucestershire First, Adult Education department of Gloucestershire County Council and Severn Wye Energy Agency.
- 8.7.2 We work in partnership through the Public Sector Employment Partnership to develop a range of workforce development initiatives such as improved NVQ training and the apprenticeship scheme.

**8.8 We attract more visitors and investors to Cheltenham**

- 8.8.1 We work with the Cotswold and Forest destination management organisation to ensure that there is a coordinated approach to promoting the county.

**8.9 Communities feel safe and are safe**

- 8.9.1 Tackling crime is consistently the highest priority for our residents and the council invests significantly in this work. It directly employs three officers who support the work of the community safety partnership, including our anti-social behaviour officer, but also supports a number of other council services that meet the aims of the partnership such as Cheltenham Safe, street cleaning, graffiti removal service and summer holiday play schemes.

**8.10 People have access to decent and affordable housing**

- 8.10.1 The council has over 4,500 properties which are managed by Cheltenham Borough Homes which is our Arms Length Management Organisation (ALMO) under the terms of a management agreement. It is a company limited by guarantee, with the council as the only guarantor. The council has continued to enable the delivery of affordable homes through the Cheltenham and Tewkesbury Housing Market Partnership which has delivered 20 affordable homes since 1<sup>st</sup> April 2008. We are on track to deliver over 40 homes in the financial year.

**8.11 People are able to lead healthy lifestyles**

- 8.11.1 Under Section 31 of the Health Act 1999 health and local authorities are encouraged to work together to improve the lives of residents. Gloucestershire PCT and the council jointly-fund a Healthy lifestyles development officer who delivers a programme of activities in the borough to improve their health and wellbeing. The PCT also committed £25,000 in 2008/09 to the CSP to reduce health inequalities in Cheltenham.

**8.12 Our residents enjoy a strong sense of community and are involved in identifying and resolving local issues**

- 8.12.1 We recognise that the Voluntary Sector is central in creating strong communities both through larger voluntary sector organisations which provide services to communities and the wide range of local community groups and organisations. Consequently we provide a range of grant funding to Voluntary



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Sector partners who are able to deliver cost effective services to their communities, including Cheltenham Voluntary and Community Action (CVA) which is responsible for co-ordinating and representing the voluntary sector in the town.

**8.13 Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment**

8.13.1 The council has committed £2m (in addition to £500,000 already earmarked from the sale of the Axiom) to secure the improvement of Cheltenham Art Gallery & Museum. This has levered in a grant of £750,000 from a Charitable Trust. With these financial foundations, we can now move forward towards planning approval and further fundraising. Subject to these, it is hoped to begin building work in 2010 with a total budget estimated at £6.3m.

8.13.2 The council has a service level agreement with Cheltenham Festivals (CF) to provide four annual festivals of jazz, science, music and literature. The programme of festival activity includes a wide range of community and educational activities within Cheltenham, concentrating particularly on the most disadvantaged communities. The current agreement is for the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2011 and a new agreement will be made with effect from 1<sup>st</sup> April 2011. The council provides annual in-kind support to CF, totalling £195,000 in 2010/11.

**8.14 The council delivers cashable savings, as well as improved customer satisfaction overall and better performance through the effective commissioning of services**

8.14.1 The council is working with other district councils to help realise the cost savings from sharing services. We have already launched shared services for Audit (with Cotswold District Council), Legal Services and Building Control (both with Tewkesbury Borough Council).

**8.15 Infrastructure Delivery Planning**

8.15.1 A key work stream within the context of partnership working over the period of the MTFS is the preparation of a strategic infrastructure delivery plan for Gloucestershire. The primary objective of this work is to deliver the infrastructure required over the next 15-20 years to support the development needs of Gloucestershire and support the visions of sustainable community strategies. This will require joint working across public sector organisations to release added value in capital projects and other public sector investment. This may have implications in the future development of the Capital Strategy.

**9. Areas of Uncertainty associated with the MTFS**

9.1 The review has also highlighted a significant number of areas where the impact on revenue spending cannot be quantified with sufficient accuracy, at this point in the process. These have been included as 'Uncertainties associated with the MTFS' and these areas will form the basis for ongoing review through the period of the 2011/12 budget process.

**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17****VAT on Car Parks**

- 9.2 The Isle of Wight (I.O.W.) local authority, along with three others, successfully argued at a VAT Tribunal, that they should not have to charge VAT on off-street car parking. This was principally on the basis that it would not, despite protests by HM Revenue and Customs (HMRC), create a significant distortion of competition (a key factor in determining VAT liability).
- 9.2.1 The Tribunal considered the implications of these local authorities not charging VAT by looking at the effect on their pricing policies, on customer usage and on potential private providers. It found that prices were set at levels to either stimulate customer numbers or discourage car use; were generally below those set by the private sector and were not an overriding factor in customers choosing where to park (they would park nearest to the facility they needed rather than choosing solely on price). It could not find any evidence of distortion of competition in respect of the local authorities represented at the Tribunal.
- 9.2.2 In conclusion it was unlikely that a change in VAT liability would result in either a change in price or parking policies.
- 9.2.3 In anticipation of HMRC being compelled to change the VAT liability of off-street car parking for all local authorities, from 'standard rate' to 'non-business' (i.e. no VAT chargeable), Cheltenham Borough Council, along with many other local authorities, under advisement, submitted repayment claims to HMRC requesting reimbursement of the VAT already paid on off-street car parking since 1998 (the furthest back allowed at the time).
- 9.2.4 Total claims lodged to that date amount to £6,337,701. Claims averaging circa £650,000 per annum for 2009/10 and the current year have yet to be submitted. Subsequent changes in the law have now allowed the council to go back even further - to the start of VAT in April 1973. VAT advisors have prepared a claim which has been submitted, and subsequently rejected by HMRC, pending the case's outcome. This claim amounts to £5,000,825 covering the period 1<sup>st</sup> April 1973 to 30<sup>th</sup> November 1996.
- 9.2.5 However, HMRC did not agree with the Tribunal decision and lodged an appeal to the High Court. This was heard in November 2006 and on 16<sup>th</sup> February 2007, the High Court decided to refer the case to the European Court of Justice (ECJ). The ECJ delivered its judgement on 16<sup>th</sup> September 2008 which was not favourable towards IOW. It focussed strongly on the issue of fiscal neutrality i.e. that two operators engaged in the same activity should not be treated differently in respect of levying a tax.
- 9.2.6 The matter has now been returned to the High Court who referred the issue back to the Tribunal to consider. The Tribunal will commence on 11<sup>th</sup> March 2011 and HMRC have submitted requests for further information from the four litigant councils involved in the case.
- 9.2.7 This remains a situation which has the potential for significant revenue receipts for the council should HMRC lose their case. However, the ECJ's

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opinion does diminish the likelihood of success for the plaintiff councils. The Tribunal will consider the issues referred to them and a better idea of the likelihood of success going forward will be known once the Tribunal has reached its decision.

- 9.2.8 Cheltenham Borough Council will continue to account for VAT on off-street car parking but will also continue lodging claims with HMRC for repayment, in order to protect its position.

**Compound interest claim**

- 9.2.9 The 'Sempra Metals' case has been brought before the High Court to determine whether taxpayers should be entitled to compound interest on overpaid VAT. The High Court has agreed to this in principal but has allowed the six year time limit under the Limitation Act to stand meaning their claim falls out of time. However, the time limit point has been appealed to the Court of Appeal. A decision is due out on this in April 2011; however any decision favourable to the taxpayer will be appealed by HMRC.
- 9.2.10 Following the High Court's decision, the council has, under advisement, instructed DLA Piper to pursue a compound interest claim in the High Court. This follows claims being pursued by other local authorities, including Bristol City Council.
- 9.2.11 Should the council be successful in this claim, the council's initial interest payment of £583k would be repaid again, potentially two or three-fold.
- 9.2.12 Progress of the court case continues to be monitored and, although a result is not expected in the near future, the council's interests in this case are protected should the outcome be favourable.

**Adequacy of Capital Resources and Property Repairs and Renewals Fund (Reserve)**

- 9.3 The Chief Finance Officer has raised the issue of the long term financing of both the council's capital programme and 20 year maintenance programme on a number of occasions. The work to update the Asset Management Plan identifies additional funding requirements over the coming years and may consider alternative forms of financing, including prudential borrowing.

**New Homes Bonus**

- 9.4 The government proposes to introduce a new cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use.
- 9.4.1 Subject to the result of recent consultation, the New Homes Bonus will provide match funding of Council Tax for six years (based on national average for Band D property – i.e. £8,600 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 9.4.2 First allocations will be in 2011 - funding will not be ring-fenced and is designed to allow the 'benefits of growth to be returned to communities'. It

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has been suggested that funding will be split 80:20 between district and county authorities.

- 9.4.3 The government intends that this funding should become a permanent feature of the local government finance system with an extra £450 million available nationally over the first two years, with additional costs being met from the redistribution of formula grant.
- 9.4.4 The Council will need to decide how it wishes to budget for this new funding stream, as it will be an important element of future financing arrangements, dependent on both the rate of housing delivery locally and how this compares with delivery in other authorities across England. However, housing projections are notoriously difficult to predict accurately over the longer term and will need to be assessed prudently in making any assumptions about likely resource availability.

**Off-Street Parking income**

- 9.5 Income from off-street parking continues to fall as a result of a variety of supply and demand factors. There are two income streams which form the majority of the budgeted income i.e. fees and fines. The 2011/12 budget has addressed the recent shortfall in fee and fine income with a reduction of £500,000 in the income target. The VAT rate change to 20% has also been reflected in the base budget for 2011/12 with a further reduction in income targets of £90,000. Any continuation of the economic downturn is likely to result in this reduced level of activity being sustained into the near future years. The continuation of the concessionary fares scheme at national level is also likely to suppress future demand for parking services locally.

**2012 Olympics**

- 9.6 The council is in the process of assessing the impact and opportunities arising from the 2012 Olympics in terms of adding value to existing service provision, maximising legacy i.e. making sure that clubs and facilities can cater for the enthusiasm generated by 2012; and managing the potential impact on infrastructure and services.
- 9.7 To complement this work the council committed £30,000 of the 2009/10 LAGBI allocation towards providing sport and play activities for young people in the run-up to the Olympics. Spread over three years, a range of programmes and events will take place throughout the town, which will expand and develop the youth focused sporting offer provided by the council's sports development team and Active Gloucestershire.
- 9.8 Furthermore, the recent successful CSPAN funding bid has secured funding from Sport England which will be used to provide a bursary scheme to support Cheltenham's gifted and talented athletes up until the 2012 Olympics.

**Icelandic Banks**

- 9.9 The council has £9.41m of un-recovered investments with Icelandic banks which went into administration in October 2008. The council has logged claims for recovery of the deposits with the banks administrators, and court

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proceedings are due to commence in the spring of 2011. The MTFS assumes the impact of a worst case scenario based on best information available but the situation remains uncertain.

**10. Risk associated with the MTFS**

- 10.1 There are inevitable risks associated with the assumptions for both revenue and capital projections. Employee turnover may vary from that assumed with both financial and service consequences. Net expenditure may be more than has been assumed, either as a consequence of additional demand, e.g. for concessionary fares; reduced income following a fall in demand e.g. car parking; or for new responsibilities which are inadequately provided for within government grant.
- 10.2 On the capital side, major projects that require additional resources and rely on a level of new capital receipts may prove to be optimistic in the current economic climate.
- 10.3 Furthermore, the current MTFS assumes that the current system of local government funding will continue.
- 10.4 However, we now also need to consider additional risks associated with the wider economic situation. Inflation and interest rate assumptions may prove to be incorrect, although this has been factored in to some extent by assuming the worst case scenario.
- 10.5 The prospect of business failures and a reduction in available tenants may result in rent reductions or rent free periods in order to attract new occupiers to the council's commercial property portfolio.
- 10.6 It will continue to be necessary to review the MTFS each year and update it for latest information. In year budget monitoring is crucial to ensure that variances and trends are highlighted at the earliest opportunity.

**11. Conclusion**

- 11.1 The council has a track record of strong financial management but is now in a period of significant volatility and uncertainty. The council needs to plan now to ensure that its strong financial position continues throughout the period covered by this MTFS and beyond.
- 11.2 The development of this strategy for closing the budget gap is an important and on-going issue for the council.

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**BUDGET CONSULTATION 2011/12 – SUMMARY OF RESPONSES**

21 completed surveys were received in total.

**Q1.**

Given the need to find savings of £2.9m in 2011/12, do you think the council has compiled a list of proposals which is broadly acceptable given the circumstances?

		%
Yes	16	84
No	3	16
<b>Total</b>	<b>19</b>	<b>100</b>

**Q2.**

Are there any proposals for cuts which you do not support?

	Response	%
Cut grants to the Arts Council	8	26.7%
Reducing charitable concession for hire of town hall	5	16.7%
Cancel contribution to MAD (Youth Council)	2	6.7%
Closure of Public Conveniences	2	6.7%
Reduce Frequency of Cutting Grass Verges	2	6.7%
Stop employing insurance brokers	1	3.3%
Dropping ECDL qualification	1	3.3%
Reducing funding to Cheltenham Festivals	1	3.3%
Merger of Art Gallery & Museum and TIC	1	3.3%
Reduction in grant funding to Performing Arts Society	1	3.3%
Equipment for saving energy costs at leisure @	1	3.3%
Concessionary fares - discretionary top up of statutory scheme	1	3.3%
Cancel Taxi Vouchers Scheme	1	3.3%
Move to Alternate Weekly Collections and Charge for Collection of Garden Waste	1	3.3%
Reduce Economic Development Grant Support to County and Regional Organisations	1	3.3%
Reduction in CIVIC and Mayoral Expenditure	1	3.3%
<b>TOTAL</b>	<b>68</b>	<b>100.0%</b>

**Q3.**

If you have answered **No** to question 1, what savings could be made instead of the proposals you do not support?

**Common responses were:**

- Reduce planting in parks and gardens and hanging baskets in the town centre
- Sell land/buildings which are no longer required
- Closely examine entertainment and hospitality costs
- Charge Cheltenham Borough Council tenants for pest control
- Get tough and commercial on bad debts
- Funding for "big society"
- Reduction in chief executives remuneration
- Reductions in salaries of senior staff
- Smaller car for the Mayor
- Reduce amount of paperwork in general
- Reduce administration costs
- Ask for volunteers to help cut grass verges
- Increase charges at Leisure @ and Cemetery
- Turn down the heating in the Municipal offices
- Reduce HR and IT budgets by 10%
- Reduce Twinning Budget Further

- Reduce mileage rates for employees to HMRC rates of 40p
- Scrap car lump sums
- Reduce all staff salaries by 5% (except for lowest paid), pay freeze for foreseeable future, move to “career average” pension scheme
- Don't freeze car parking fees
- Ask a company to sponsor the mayor an electric car

**Q4.**

**Given the need to make further savings in future in response to more reductions in government funding where should the council continue to look to make savings? Please identify any services you believe where the council should reduce, or stop funding?**

- Reduce councillor expenses more than 5%
- Merge Everyman and Playhouse theatres
- Share the Municipal offices with another organisation
- Reduce number of councillors
- Don't give bus pass' to 60 year olds
- Reduce management salaries
- Reduce CIVIC pride budget
- Get people doing community service to work on our parks and gardens
- Increase council tax
- Reduce discount for single household family's in council tax
- Small annual charge for concessionary travel
- Stop Twinning
- Reduce back office costs further
- Reduce business change budget

**Q5.**

**Finally, do you have any general comments about the proposed budget?**

- “its not possible for the layman to analyse in detail the proposed cuts”
- “in general the budget review is necessary from time to time”
- “nobody said it was easy”
- “it does not seem to go far enough in terms of redundancies”
- “I am happy to see that the council tax and parking rates are to remain unaltered”
- “Well considered response to an extremely difficult situation”
- “we stress the importance of not to undermine Cheltenham as and attractive centre for tourism”



**Other Responses:****Anonymous:**

The closure of ANY public toilets is a leap back to pre-Victorian times but the closure of the Bath Road toilets is totally irresponsible. There are no big stores with conveniences; the little shops mostly have 'upstairs' toilets and will not allow public usage for insurance reasons. Like myself, many people require easy access to toilets for medical reasons. I have to be sure of easy access to facilities before I go anywhere. I visit the shops, and particularly the opticians, in Bath Road, because the conveniences are readily available. I DO NOT WANT AND CANNOT GO INTO SHOPS, TELLING THEM MY MEDICAL PROBLEMS AND BEGGING TO USE A TOILET. Public toilets are a necessity not a luxury. Supposing EVERY shop and store says 'Our toilets can be used only by customers making purchases. Will the authorities allow the use of back alleys and gutters for people unable or unwilling to make purchases? By the end of the Victorian era, there were facilities in all busy thoroughfare! As, many of them staffed. Is the Council saying to all medically unfit, disabled and elderly people 'We cannot provide your basic needs so you cannot go to shopping areas any more'?

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**Mrs H E Atkinson, Secretary, Cheltenham Local History Society.**

On behalf of CLHS, I am writing to express our concern at the proposal to cut the funding to the Cheltenham Arts Council as a result of the Budget Consultation. We feel that it is vital to have a central body, the CAC, to lobby for the many and varied arts groups in Cheltenham. We subscribe to CAC annually, and over the years have benefited greatly by grants it has given us to aid our research, buy equipment, and provide local history resources and displays. Ultimately, this benefits the town, bringing education and pleasure to many.

We therefore support CAC, and hope that the Council will reconsider how it will allocate its funding more fairly.

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**A letter was received from Cheltenham Arts Council in support of the Annual Grant to Cheltenham Arts Council.**

I understand from the draft Budget Proposals that the Annual Grant to the Cheltenham Arts Council is likely to be removed in 2011 and beyond. I am writing to you in my capacity as Chairman of the Cheltenham Arts Council to offer my views on this proposal, and would appreciate it if this letter could be considered as part of the consultation process.

As you will know the Cheltenham Arts Council was set up by the Borough Council to act as a coordinating body for community arts organisations within the borough and to provide a valuable link between those organisations and the Borough Council. This link includes the disbursement of modest funds from the council to a range of organisations that would otherwise need to seek individual help and support from the Borough Council. The Cheltenham Arts Council represents the widest cross section of the population engaged in community arts endeavours and includes many organisations whose aims embrace encouraging young people to develop community and arts related activities. A list of our members is attached.

I note that the Budget Proposals do continue to include direct funding for some selected arts related organisations and I welcome this; however, I feel that for many of the organisations we represent, the availability of some funding from the central source of the Cheltenham Arts Council is vital.

I am aware that difficult choices have to be made; however, I offer these views, on behalf of the Cheltenham Arts Council, in good faith and in the understanding that it is not possible for the Borough Council to continue to support all arts ventures to the same extent. Rather I feel that having set up the Arts Council partly for the purpose of disbursing certain council funds equitably across various community arts organisations it would be a pity to revert to a

situation where those without a strong individual voice are not able to receive adequate support for worthwhile ventures.

Brian Carvell  
Chairman, Cheltenham Arts Council

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#### A Response from a member of the public

21.01.2011

To Councillor John Webster, All Members of the Cabinet and All Members of The Council.

Dear Councillor Webster

I am writing as we are concerned about the closure of public toilets in Cheltenham.

Our particular concern is the proposed closure of public toilets in the Bath Terrace Car Park. It is a very busy car park used by people of all ages and, as I am sure you know, serving the excellent Bath Road Shopping Area.

If these toilets are closed, where are the alternatives to be found? The shops and cafes in this area are mainly small ones and have limited facilities just enough for their customers. Some of the facilities are not on the ground floor and so stairs (some narrow and steep) have to be negotiated in order to access them, which can be a problem for people with disabilities. Also they are not all open every day of the week.

This is a different scenario from the town centre where there are shopping arcades and big shops and all week opening.

Closure could lead to a **serious public health issue**. Failing access to basic facilities, some people may resort to using the car park instead, which is both unpleasant, unhygienic and undesirable.

Where has the public consultation been on this? Have the local traders been consulted? Are they willing to provide this service to non-customers? Will their Council Tax be reduced to compensate them? Have the electors been consulted? We certainly have not and our house backs on to the car park.

I notice that certain conveniences have been earmarked for saving, all in certain strategic positions – Town Centre, Pittville Park and Montpellier Gardens. I would suggest the Bath Terrace Car Park also qualifies to be saved on account of a total lack of other public facilities in the area.

I hope that my letter will persuade you to look again at this matter.

Yours sincerely

## CABINET RESPONSE TO BUDGET CONSULTATION

1. There were two stages to the consultation process. The first stage was conducted before the draft budget was produced, and the second consultation following the production of the draft budget.
2. The initial feedback was substantial as has been outlined. The results of the surveys highlighted those areas that people had suggested should be cut or protected and these were subjected to more detailed examination.
3. Most useful were the four Focus Groups that were selected from the list of participants in the survey. There were detailed discussions with the participants in these four groups prior to the formation of the budget and following the production of the draft budget they were consulted again and gave their response to it.
4. One of the most useful pointers for the Cabinet in identifying the criteria by which the budget should be evaluated was provided by the responses to the question 'What do you most like/ dislike about the town'. What emerged was that people most valued the environmental, social, cultural and economic quality of the town particularly the parks and gardens, the architecture, the festivals and so on. They disliked the things that got in the way of this, most notably crowded roads in poor repair, and anti-social behaviour. In assessing all the suggestions for cuts, the protection of the quality of the town was at the forefront of the Cabinet's considerations.
5. Following the production of the draft budget the people in the focus groups were invited back to respond to the budget suggestions. There was a unanimous view that in the circumstances the budget had satisfactorily addressed the deficit even though some suggestions – such as closing toilets – were acknowledged as difficult decisions. Concerns were voiced particularly about the impact of the verge-cutting contract, Cheltenham Festivals, the need to ensure the provision of more social housing for local people and the County Council cuts to the Youth Service.
6. The Overview and Scrutiny committees picked up a range of issues including Cheltenham Festivals and the verge-cutting contract among other concerns.
7. In addition there were 21 formal responses to the budget consultation document with the majority (16) 'broadly accepting' the budget.
8. As a result of the consultation some changes have been made to the draft budget. This has been made possible through further consultation with the pensions actuary (following the 2 year freeze on staff salaries) which has delivered a one-off saving of £259k.
9. This funding has therefore been reallocated as follows:
  - (i) For the coming year the £110k reduction in spend on the verge cutting contract will be reinstated. The basic contract with the County has been terminated so that from the financial year 2012/13 it will be their responsibility

to cut the verges unless negotiations with them produce a more acceptable settlement to Cheltenham.

- (ii) £140k has been allocated to facilitate works to Imperial and Montpellier Gardens as a first phase of works. Cheltenham Festivals initially requested that we provide transitional funding to them for the next two years amounting to £71k for the coming year, and £35k for the following year (total £106k). Because of cuts to their cash grant proposed in the draft budget and the installation of a new box office system which will increase their income at a cost to the Council, the amount of cash grant they will receive in the next financial year is effectively nil, although they will continue to receive substantial support in kind from the Council. The Cabinet was sympathetic to the Festivals but felt the best way to support them was to invest in the infrastructure that enabled them to become financially successful in the long term and which also benefited the whole town at the same time. The catering contract will be renegotiated in 2012 and will apply only to the Town Hall and the outside bar, and not the whole gardens, and so the Festivals will be able to make an income from this. They will also be able to use Imperial and Montpellier Gardens free this year, but in future years will have to pay a fee at the charitable rate.
  - (iii) There has been a problem reported relating to nuisances caused by seagulls in the town and so £3k one-off additional funding has been allocated over the next two years, to extend the oiling of seagull eggs.
  - (iv) There have been a series of objections to ending the grant to the Arts Council (£10k). The Cabinet suggests that one-off funding of £6k be allocated to them to cover this year only, to help reduce the effect of the lost funding.
  - (v) Extensive and intensive work has been put into consultation around the budget which has been useful and has reassured people that the Council does take their views into account. A Budget Scrutiny Group has been established with representatives from all O&S committees which will meet throughout the year and consider the budget as it evolves and which can also look at more detail at some of the ideas that emerged during the process – like the suggestion that the Council should look towards more sponsorship and income generating initiatives.
10. In the commissioning environment there is a need for elected members to focus on finances throughout the year and not just at Budget time.

## Budget scrutiny working group

### Report to Cabinet 8 February 2010

#### Background

The council is keen to improve its budget scrutiny process. The current budget scrutiny process happens too late in the year to properly consider and influence Cabinet decisions in respect of the budget.

Given the reduction in government funding and the projected budget gap over the period of the Medium Term Financial Strategy (MTFS), the budgetary decisions made over the coming years are likely to be more radical as the council looks to reduce its costs and look to alternative ways of maintaining services valued by the public. As such, it is important to ensure that all options have been considered from whatever source. The council must ensure that Members work collectively, accepting political differences, on solutions to the budget gap.

With this in mind, a group of Members was drawn together, 2 from each of the various scrutiny committees to develop as budget scrutiny champions to support the process. The budget scrutiny working group met on 2nd November 2010 and 11 January 2011 to consider the following recommendation from Council in February 2010.

**'Given the financial outlook, the process for scrutiny of the budget is to be reviewed in order to determine a more effective approach'.**

#### Considerations of the working group.

In considering the current methodology for scrutinising the annual budget and influencing the decision making in preparing the annual budgets, the following points were raised by members that should be addressed in the shaping of any new process:

- Members wanted to feel that they had some influence over decisions.
- Members, outside the Cabinet, should have something to focus on in supporting the budget process.
- Members need to clearly understand any request made of them.
- The scrutiny process starts too late.
- Budget consultation is too late in process
- Some Members lack financial literacy and confidence.

In making these very valid points, Members considered the option of a permanent budget working group to support the budget process and develop Members' financial skills.

The group agreed that a **BUDGET WORKING GROUP** should be formally constituted and should meet regularly throughout the year to develop the budget process, support Members in developing scrutiny skills and consider ideas proposed by the Members, including Cabinet leads, on future options for reducing the budget gap. The views of the working group may be fed back to the relevant overview and scrutiny committee for further consideration prior to feeding back to the Cabinet.

It was considered important that members should be able to float any ideas however controversial or creative and those discussions should be confidential.

Members considered the impact on the Audit Committee but agreed that its role was to consider the council's governance arrangements and should remain independent of any process which helped shape the budget.

Members also considered the need to understand the commissioning programme of activity and how this group would help shape the options for testing in a commissioning process. Hence, the link with the commissioning programme of activity needed to be made.

Members recognised the need to ensure proper, open and transparent scrutiny continued to take place in the existing overview and security meetings. As such, it is not proposed that the working group replaces the current scrutiny committee but merely acts as a vehicle for the development of the budget scrutiny role. As such, for now, the current cycle of budget scrutiny will not change but changes may be proposed by the working group to be reflected in the budget strategy report to Cabinet in September 2011 which sets out the approach to the 2012/13 budget.

The working group have agreed on the following recommendation to Cabinet:

**A cross party BUDGET WORKING GROUP should be formally constituted with 2 members of each overview and scrutiny committee to develop the budget process, support the development of Members' scrutiny role and to consider ideas from Members for reducing the budget gap.**

Frequency of meetings: Bi - Monthly

Terms of reference:

- To consider options for bridging the funding gap i.e. proposals for charging or reduction in expenditure
- To review the work programme for commissioning and options being considered
- To develop members' scrutiny skills and understanding of financial matters
- To develop the approach to budget consultation

## **Equality Impact Assessment**

The council has taken its commitments to equality and diversity seriously in the development of the 2011-12 budget and in line with good practice carried out an equality impact assessment on the proposals.

A small group comprising the Assistant Chief Executive, the Policy and Partnership Manager, the Community Outreach Officer and the Services Manager from Cheltenham Voluntary and Community Action (VCA) met on 8th December to identify the potential equality and diversity impacts associated with the 92 proposals. Where identified, the impacts are shown in Budget Proposals Report.

The Assistant Chief Executive and the Policy and Partnership Manager carried out a further impact assessment of three budget proposals where potentially detrimental impacts were initially identified on 2 February 2011. The proposed mitigating actions emerging from this assessment process are set out below:

The proposed closure of public toilets - Actions:

- To work with businesses and other organisations who have toilet facilities in the vicinity of the public toilets identified for closure to encourage them to open up their toilets to public access.
- To put a particular focus on identifying alternative toilets that are fully accessible to disabled people.
- To provide signage to alternative facilities.

The proposed cancelling of the taxi voucher scheme and Charlton Kings Elderly Transport Grant - Actions:

- The council works with Third Sector Services, who provide community transport services in Cheltenham, to explore the provision of additional capacity to serve disabled people to off-set the cuts in taxi vouchers.
- The council's Senior Leadership Team to keep an overview of the wider impacts of the proposal on disabled people.

The proposed cancelling of the contribution to MAD (Making a Difference) Young people's council - Actions:

- The council to reassert its commitment to engaging with children and young people as part its engagement strategies.
- The council to ensure youth engagement processes are built into proposals for how youth services can be provided in the future.

### **For further information, contact**

Richard Gibson

Policy and Partnerships Manager

01242 235354

[richard.gibson@cheltenham.gov.uk](mailto:richard.gibson@cheltenham.gov.uk)

## Equality impact assessments – for services, policies and proposals

### What is an equality impact assessment?

An equality impact assessment is an important part of our commitment to improving equality practice. The form will help us find out what impact or consequences our functions, policies, procedures and practices have on our citizens, employees and potential employees.

By undertaking an impact assessment, we are able to:

- Take into account the needs, experiences and circumstances of those groups of people who use (or don't / can't use) our services.
- Identify any inequalities people may experience.
- Think about the other ways in which we can deliver our services which will not lead to inequalities.
- Develop better policy-making, procedures and services.

### Background

Name of service / policy or proposal	2011-12 budget - The proposed cancelling of the taxi voucher scheme and Charlton Kings Elderly Transport Grant
Lead officer	Mark Sheldon, Chief Finance Office
Other people involved in completing this form	Jane Griffiths, Assistant Chief Executive; Richard Gibson, Policy and Partnerships Manager
Date	2 February 2011



## Step 1 - About the service / policy / proposal

<p><b>What is the aim of the service / policy and what outcomes is it contributing to</b></p>	<p>The 2011-12 budget sets out the cabinet's proposals for the council's budget. One of the proposals is to cancel the taxi voucher scheme whereby disabled people are eligible for ten £2 taxi vouchers. This will save approx £26.7k per annum. Another proposal is to remove the grant from Charlton Kings Senior Citizens' Welfare Committee that provides transport for older, disabled and house bound people in the Charlton Kings area.</p> <p>From April 2011, Gloucestershire County Council will take over responsibility from the district councils to provide concessionary fares travel in Gloucestershire. Currently each district council operates a different scheme, which means what people are eligible for varies from area to area. Some of the district councils pay for an enhanced discretionary service, which in some areas includes earlier start times, travel tokens in lieu of bus passes and taxi tokens/vouchers. From April 2011 Cheltenham Borough Council will have no central government funding for any concessionary fare provision, as all monies will have transferred to Gloucestershire County Council.</p>
<p><b>Who are the primary customers of the service / policy and how do they / will they benefit</b></p>	<p>Disabled residents of Cheltenham and older, disabled and house bound people in the Charlton Kings area</p>
<p><b>How and where is the service / policy implemented</b></p>	<p>The budget sets out the financial framework of the council in terms of how money is spent and how money is generated through fees.</p>

## Step 2 – What do you know already about your existing / potential customers

<p><b>What existing information and data do you have about your existing / potential customers e.g. Statistics, customer feedback, performance information</b></p>	<p>Approx 1,200 disabled people take up the disabled taxi voucher scheme.</p> <p>There are 90 members of Charlton Kings Senior Citizens' Welfare Committee that benefit from the service.</p>
<p><b>What have you learnt about real barriers to your service from any consultation with customers and any stakeholder groups?</b></p>	<p>Through previous consultation work with different communities, we know that the barriers to our services include:</p> <ul style="list-style-type: none"> <li>• physical access to our buildings</li> <li>• access to information about our services</li> <li>• access to our services</li> </ul>
<p><b>If not, who do you have plans to consult with about the service / policy?</b></p>	<p>The proposed cancelling of the grant and reduction in taxi vouchers does reduce access to services.</p> <p>As part of the draft budget consultation that ran between 22 December 2010 to 22 January 2011. Out of 21 responses, 1 respondent did not support the removal of the taxi vouchers.</p>

### Step 3 - Assessing Impact of the service / policy / proposal

How does your service / policy impact on different groups in the community?

Group	How will the service, policy or proposal benefit this group	How will the service, policy or proposal disadvantage this group	No impact on this group
Ethnicity / Race			No perceived impact on this group
Gender and trans-gender			No perceived impact on this group
<b>Age</b> <ul style="list-style-type: none"> <li>• Older people</li> <li>• Children and young people</li> </ul>		The proposal will potentially remove access to community transport services for older people living in Charlton Kings	
<b>Disability</b> <ul style="list-style-type: none"> <li>• People experiencing mental ill-health</li> <li>• People with physical disabilities</li> </ul>		<p>The proposal will reduce transport options for disabled people who prefer to use taxis rather than buses as access is easier.</p> <p>The proposal will potentially remove access to community transport services for older people living in Charlton Kings.</p>	Page 182
<b>Religion or belief</b>			No perceived impact on this group
<b>Sexual orientation</b>			No perceived impact on this group
<b>Other socially excluded groups or communities</b>			No perceived impact on these groups

### Step 4 - what are the differences

<p><b>Are any groups affected in different ways to others as a result of the service / policy?</b></p>	<p>The council is aware that the removal of the grant will have an impact on the ability of Charlton Kings Senior Citizens' Welfare Committee to continue to provide the service. From an Echo article dated December 30<sup>th</sup>, the chairman is reasonably confident that the service will continue despite the withdrawal of the grant.</p>
<p><b>Does your service / policy either directly or indirectly discriminate?</b></p>	<p>The removal of the £20 book of taxi vouchers will have an impact on disabled people who prefer to use taxis rather than buses as access is easier.</p> <p>The proposal is a removal of a previously publicly available service for financial reasons. There is no intention that the proposal be discriminatory.</p>
<p><b>If yes, what can be done to improve this?</b></p>	<p>The council is working with Third Sector Services, who provide community transport services in Cheltenham, to see if they can provide additional capacity to serve disabled people to off-set the cuts in taxi vouchers and the reduction in funding to Charlton Kings Senior Citizens' Welfare Committee.</p>

### Step 5 – taking things forward

<p><b>What are the key actions to be carried out and how will they be resourced and monitored?</b></p>	<ul style="list-style-type: none"> <li>• The council is working with Third Sector Services, who provide community transport services in Cheltenham to see if they can provide additional capacity to serve disabled people to off-set the cuts in taxi vouchers.</li> <li>• Senior Leadership Team to keep an overview of the wider impacts of the proposal on disabled people.</li> </ul>
<p><b>Who will play a role in the decision-making process?</b></p>	<p>Owen Parry, Integrated Transport Manager is leading the work to mitigate these impacts.</p>
<p><b>How will you capture these actions in your service planning?</b></p>	<p>To be identified.</p>

## Equality impact assessments – for services, policies and proposals

### What is an equality impact assessment?

An equality impact assessment is an important part of our commitment to improving equality practice. The form will help us find out what impact or consequences our functions, policies, procedures and practices have on our citizens, employees and potential employees.

By undertaking an impact assessment, we are able to:

- Take into account the needs, experiences and circumstances of those groups of people who use (or don't / can't use) our services.
- Identify any inequalities people may experience.
- Think about the other ways in which we can deliver our services which will not lead to inequalities.
- Develop better policy-making, procedures and services.

### Background

Name of service, policy or proposal	2011-12 budget - The proposed closure of public toilets
Lead officer	Mark Sheldon, Chief Finance Office
Other people involved in completing this form	Jane Griffiths, Assistant Chief Executive; Richard Gibson, Policy and Partnerships Manager
Date	2 February 2011

## Step 1 - About the service / policy / proposal

<p><b>What is the aim of the service / policy and what outcomes is it contributing to</b></p>	<p>The 2011-12 budget sets out the cabinet's proposals for the council's budget. One of the proposals is to close a range of public toilets; Coxs Meadow, Coronation Square, Ambrose Street, Bath Terrace, Church Piece and Portland Street. Proposals to keep the toilets at the Town Hall, Royal Well, Sandford Park and Pittville Park and Montpellier open are being considered. A scheme for accessing toilets in cafes / shops etc is also being investigated.</p>
<p><b>Who are the primary customers of the service / policy and how do they / will they benefit</b></p>	<p>This will save approx £100k per annum. All residents of Cheltenham</p>
<p><b>How and where is the service / policy implemented</b></p>	<p>The budget sets out the financial framework of the council in terms of how money is spent and how money is generated through fees.</p>

## Step 2 – What do you know already about your existing / potential customers

<p><b>What existing information and data do you have about your existing / potential customers e.g. Statistics, customer feedback, performance information</b></p>	<p>There are no statistics about who uses our public toilets but the provisional EQIA group identified that the closure of public toilets will have a detrimental impact on older people / disabled people and parents with children who need to access public toilets at short notice.  However, the group was aware that certain groups do not use public toilets due to perceptions of safety – the police do have evidence that certain public toilets have been used for drug-dealing and are supportive of the proposals to close these toilets.  Through previous consultation work with different communities, we know that the barriers to our services include:</p> <ul style="list-style-type: none"> <li>• physical access to our buildings</li> <li>• access to information about our services</li> <li>• access to our services</li> </ul>
<p><b>What have you learnt about real barriers to your service from any consultation with customers and any stakeholder groups?</b></p>	<p>The proposed closure of public toilets does reduce access to valuable public services.</p>
<p><b>If not, who do you have plans to consult with about the service / policy?</b></p>	<p>As part of the draft budget consultation that ran between 22 December 2010 to 22 January 2011. Out of 21 responses, 2 respondents did not support the closure of public toilets.</p>

### Step 3 - Assessing Impact of the service / policy / proposal

How does your service / policy impact on different groups in the community?

Group	How will the service, policy or proposal benefit this group	How will the service, policy or proposal disadvantage this group	No impact on this group
Ethnicity / Race			No perceived impact on this group
Gender and trans-gender			No perceived impact on this group
Age <ul style="list-style-type: none"> <li>• Older people</li> <li>• Children and young people</li> </ul>		<p>The proposal will remove access to toilet facilities for older people who may need to access them at short notice</p> <p>The proposal will remove access to toilet facilities for parents with children who may need to access them at short notice</p> <p>The proposal will remove access to toilet facilities for disabled people who may need to access them at short notice</p>	
Disability <ul style="list-style-type: none"> <li>• People experiencing mental ill-health</li> <li>• People with physical disabilities</li> </ul>			
Religion or belief			No perceived impact on this group
Sexual orientation			No perceived impact on this group
Other socially excluded groups or communities			No perceived impact on these groups

### Step 4 - what are the differences

<p>Are any groups affected in different ways to others as a result of the service / policy?</p>	<p>The proposal will have a detrimental impact on older people / disabled people and parents with children who need to access public toilets at short notice.</p>
<p>Does your service / policy either directly or indirectly discriminate?</p>	<p>The proposal is a removal of a previously publicly available service for financial reasons. There is no intention that the proposal be discriminatory.</p>
<p>If yes, what can be done to improve this?</p>	<p>The council is aware of the impact that the closures will have on these groups and is working with businesses to open up their toilets to public access, and providing signage to alternative facilities. There is a particular focus on identifying toilets that are fully accessible to disabled people. These plans are to be in place by April 2011.</p>

### Step 5 – taking things forward

<p>What are the key actions to be carried out and how will they be resourced and monitored?</p>	<p>To work with businesses and other organisations who have toilet facilities in the vicinity of the public toilets identified for closure to encourage them to open up their toilets to public access.</p> <ul style="list-style-type: none"> <li>To put a particular focus on identifying alternative toilets that are fully accessible to disabled people.</li> <li>To provide signage to alternative facilities.</li> </ul>
<p>Who will play a role in the decision-making process?</p>	<p>John Rees, Environmental Maintenance Manager is leading the work to mitigate these impacts.</p>
<p>What are your learning and development needs?</p>	<p>None identified</p>
<p>How will you capture these actions in your service planning?</p>	<p>To be identified.</p>



## Equality impact assessments – for services, policies and proposals

### What is an equality impact assessment?

An equality impact assessment is an important part of our commitment to improving equality practice. The form will help us find out what impact or consequences our functions, policies, procedures and practices have on our citizens, employees and potential employees.

By undertaking an impact assessment, we are able to:

- Take into account the needs, experiences and circumstances of those groups of people who use (or don't / can't use) our services.
- Identify any inequalities people may experience.
- Think about the other ways in which we can deliver our services which will not lead to inequalities.
- Develop better policy-making, procedures and services.

### Background

Name of service / policy or proposal	2011-12 budget - The proposed cancelling of the contribution to MAD (Making a Difference) Young people's council.
Lead officer	Mark Sheldon, Chief Finance Office
Other people involved in completing this form	Jane Griffiths, Assistant Chief Executive; Richard Gibson, Policy and Partnerships Manager
Date	2 February 2011



## Step 1 - About the service / policy / proposal

<p><b>What is the aim of the service / policy and what outcomes is it contributing to</b></p>	<p>The 2011-12 budget sets out the cabinet's proposals for the council's budget. One of the proposals is to cancel the grant which is currently paid to Gloucestershire Youth Services for them to coordinate the MAD (Making a Difference) Young people's council.</p> <p>The proposal will save £15k per annum.</p>
<p><b>Who are the primary customers of the service / policy and how do they / will they benefit</b></p>	<p>MAD works with young people aged between 11 and 18 years old.</p>
<p><b>How and where is the service / policy implemented</b></p>	<p>The budget sets out the financial framework of the council in terms of how money is spent and how money is generated through fees.</p>

## Step 2 – What do you know already about your existing / potential customers

<p><b>What existing information and data do you have about your existing / potential customers e.g. Statistics, customer feedback, performance information</b></p>	<p>There were currently 14 members of MAD (at Nov 2011); MAD Reps are 11-18 year olds who are elected to represent their schools and youth projects in the town.</p>
<p><b>What have you learnt about real barriers to your service from any consultation with customers and any stakeholder groups?</b></p>	<p>Through previous consultation work with different communities, we know that the barriers to our services include:</p> <ul style="list-style-type: none"> <li>• physical access to our buildings</li> <li>• access to information about our services</li> <li>• access to our services</li> </ul>
<p><b>If not, who do you have plans to consult with about the service / policy?</b></p>	<p>As part of the draft budget consultation that ran between 22 December 2010 to 22 January 2011. Out of 21 responses, 2 respondents did not support the cancellation of the MAD grant.</p>

### Step 3 - Assessing Impact of the service / policy / proposal

How does your service / policy impact on different groups in the community?

Group	How will the service, policy or proposal benefit this group	How will the service, policy or proposal disadvantage this group	No impact on this group
Ethnicity / Race			No perceived impact on this group
Gender and trans-gender			No perceived impact on this group
Age <ul style="list-style-type: none"> <li>• Older people</li> <li>• Children and young people</li> </ul>		The proposal will impact on the ability of the council (and other organisations) to engage with young people which is seen as being particularly valuable in shaping how we provide/commission services that benefit children and young people.	No perceived impact on this group
Disability <ul style="list-style-type: none"> <li>• People experiencing mental ill-health</li> <li>• People with physical disabilities</li> </ul>			No perceived impact on this group
Religion or belief			No perceived impact on this group
Sexual orientation			No perceived impact on this group
Other socially excluded groups or communities			No perceived impact on these groups

### Step 4 - what are the differences

<p><b>Are any groups affected in different ways to others as a result of the service / policy?</b></p>	<p>The grant is used to fully fund the MAD co-ordinator who is employed by Gloucestershire County Council Youth Service. GCC have no resources to undertake this function without the grant support from the council and therefore the function will cease. However due to restructuring within GCC's Youth Services, continued funding could not guarantee the continuation of the service as currently provided.</p>
<p><b>Does your service / policy either directly or indirectly discriminate?</b></p>	<p>The proposal is a removal of a grant to Gloucestershire County Council for financial reasons. There is no intention that the proposal be discriminatory.</p>
<p><b>If yes, what can be done to improve this?</b></p>	<p>As part of the move to become a commissioning organisation, the council needs to reassert its commitment to engage with children and young people as part its engagement strategies. This will be particularly important that engagement is built into proposals for how services and activities for children and young people can be provided in the future.</p>

### Step 5 – taking things forward

<p><b>What are the key actions to be carried out and how will they be resourced and monitored?</b></p>	<ul style="list-style-type: none"> <li>• Reassert its commitment to engaging with children and young people as part its engagement strategies.</li> <li>• Ensure engagement processes are built into proposals for how services and activities for children and young people can be provided in the future.</li> </ul>
<p><b>Who will play a role in the decision-making process?</b></p>	<p>Jane Griffiths, Assistant Chief Executive (Director of Commissioning) will take the lead on this.</p>
<p><b>How will you capture these actions in your service planning?</b></p>	<p>To be identified.</p>

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## Cheltenham Borough Council

**Cabinet – 8 February 2011**

**Council – 11 February 2011**

### **Housing Revenue Account (HRA) - Revised Budget 2010/11 and Final Budget Proposals 2011/12**

<b>Accountable member</b>	<b>Cabinet Member Community Development and Finance, Councillor John Webster</b>
<b>Accountable officer</b>	<b>Chief Finance Officer, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>All Overview and Scrutiny Committees</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	This report summarises the HRA revised budget for 2010/11 and the budget for 2011/12
<b>Recommendations</b>	<p>Approve the HRA revised budget for 2010/11.</p> <p>Approve the HRA 2011/12 budget including a proposed average rent increase of 5.43% applied in accordance with the rent restructuring guidelines (subject to restraints on individual property increases when aggregated with service charges) and increases in other rents and charges as detailed at Appendix 5.</p> <p>Approve the revised HRA capital programme for 2010/11 at Appendix 6.</p> <p>Approve the HRA capital programme for 2011/12 at Appendices 6 and 7.</p> <p>That receipts of up to £3m from the sale of HRA assets (other than through Right To Buy) in the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2014 be used for affordable housing provision</p>
<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Bob Dagger, bob.dagger@cheltborohomes.org, 01242 264225</b></p>

<p><b>Legal implications</b></p>	<p>The Council cannot approve an HRA budget which would lead to an overall deficit on the account</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail: peter.lewis@tewkesbury.gov.uk</b></p> <p><b>Tel no: 01684 272012</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>None as a direct result of this report.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: julie.mccarthy@cheltenham.gov.uk</b></p> <p><b>Tel no: 01242 264355</b></p>
<p><b>Key risks</b></p>	<p>An overall risk assessment of the budget proposals is contained in Appendix 1.</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The aim of the budget is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in government funding.</p>
<p><b>Environmental and climate change implications</b></p>	<p>The budget contains a number of proposals for improving the local environment, as set out in this report.</p>

## 1. Introduction

At the meeting on 21<sup>st</sup> December 2010, the Cabinet approved draft HRA budget proposals for 2011/12 for consultation. The Cabinet is now required to make recommendations to Council on the 2011/12 budget, having regard to the responses to the consultation.

## 2. Background

2.1 Both the revised budget for 2010/11 and budget for 2011/12 (Appendices 2 and 3) have been prepared to achieve the financial objective of retaining a contingent balance of at least £1million in revenue reserve with any additional funds being carried forward to fund capital expenditure in future years.

2.2 The draft revenue budgets approved by Cabinet on 21<sup>st</sup> December 2010 have been amended as follows:-

- Increase in CBH management fee to fund additional post of Money & Benefits Officer (cost £31,500)
- Reduction in HRA subsidy payable following receipt of the final determination for 2011/12 (saving £86,600)
- Other minor adjustments to central administration charges and service charge income (saving £9,600)

The net impact of these amendments is to increase the estimated revenue reserve balance at 31<sup>st</sup> March 2012 by £64,700

## 3. 2010/11 Revised Budget

3.1 The revised budget at Appendix 2 shows an increase in surplus of £810,500 compared to the original estimate. This will increase the revenue reserve to £2,989,000 by 31<sup>st</sup> March 2011. Significant variations have been identified in budget monitoring reports and are summarised below:-

Budget Heading	Change in resources
	£'000
Reduction in revenue contributions required to fund capital programme	596
Reduction in interest payable (lower interest rates)	175
Reduction in HRA subsidy payable (lower interest rates)	52
Additional interest receivable (net impact of higher reserves and lower interest rates)	13
Reduction in Council Tax on empty properties (fewer long term voids)	17
Rent and service charge income (lower than estimate)	-49
Other net	6
<b>Net Increase in Surplus</b>	<b>810</b>

The increase in surplus reflects £214,500 of additional resources and a further £596,000 which arises from deferred capital expenditure and will be required in 2011/12.

#### 4. 2011/12 Budget

- 4.1** The final HRA subsidy determination was published on 10<sup>th</sup> January 2011. It confirmed the proposals contained in the draft published in November except for an increase in the GDP deflator used to calculate allowances. This reduces the subsidy payable next year by £86,600.
- 4.1.1** It is anticipated that next year will be the last year of housing subsidy. The Government has announced it intends to introduce a new self financing regime for local authority housing from April 2012. Further details were published on 1<sup>st</sup> February 2011 and are currently being evaluated. The final individual settlements for each Council are to be announced in Autumn 2011.
- 4.1.2** The determination for 2011/12 shows a national average increase in guideline rent of 6.8% (6.5% for Cheltenham). Rent restructuring uses the retail price index for September each year to uplift the formula rent for the following financial year. In September 2010 this was 4.6% so formula rents will be increased by 5.1% (including +0.5% for convergence\*) with rent restructuring now timetabled to complete in 2015/16. For Cheltenham tenants this will result in an average rent increase of 5.4% from April 2011 as illustrated by Appendices 4 & 5, although this may be marginally reduced when rents are aggregated with final service charges due to restraints on individual property increases.
- 4.1.3** As anticipated the special ALMO allowance for Councils with Round 1 and 2 ALMO's has been withdrawn. This gave a favourable rate of support (8% per annum) to offset the borrowing costs arising from the decent homes programme. These ongoing costs will in future be financed at the Council's consolidated borrowing rate, estimated at 3.08% for next year. This reduction in Government support has a net cost of £1,641,000 in 2011/12 but had been factored into HRA business plans.
- 4.1.4** The determination includes increases in management, maintenance and major repair allowances to partly offset the increase in guideline rent. The net effect of the subsidy proposals for Cheltenham, allowing for changes to unit allowances and stock levels, is a net additional liability of £2,099,000 compared with the current year. The changes proposed to individual elements are shown below:-

<b>Element of Subsidy</b>	<b>% change in unit subsidy</b>	<b>Net variation to subsidy payable</b>
		<b>£'000</b>
Management Allowance	+2.2%	-56
Maintenance Allowance	+5.5%	-284
Major Repairs Allowance	+4.7%	-139
Guideline Rent Income	+6.5%	938
Removal of ALMO Allowance		2,515
Charges for Capital		-835
Other Changes		-40
<b>Additional Subsidy Payable</b>		<b>2,099</b>

- 4.2** Significant changes to the HRA in 2011/12 as compared to the revised estimates for 2010/11 are itemised in the table below. The net impact is a decrease in resources of £2,500,500 producing a deficit of £1,092,300 for the year and reducing revenue reserves to £1,896,700 at 31<sup>st</sup> March 2012. This reflects the completion of capital projects originally programmed for 2010/11. The medium term forecast cannot be completed until further details of the self financing settlement are known but it is anticipated that it will produce additional resources to further improve the longer term viability of the HRA.



\* Rent restructuring is a government policy which is bringing all local authority rents in line with those charged by Housing Associations as calculated by a national formula.

<b>Budget Heading</b>	<b>Change in resources</b>
	<b>£'000</b>
Increase in revenue contributions required to fund capital	-937
Net impact of HRA subsidy settlement (see para 4.1 above)	-2,099
Depreciation of dwellings	-140
Increase in rents	905
Other rents and charges increases	60
Increase in estate services & direct costs	-32
Increase in CBH management fee (Agresso implementation & additional post)	-66
Increase in cyclical repairs	-218
Rent rebate subsidy limitation	39
Other (net)	-12
<b>Net reduction in surplus</b>	<b>-2,500</b>

- 4.3** The Housing Repairs Account at Appendix 3 shows reactive spend at the same level as the revised estimate for the current year but includes a growth item of £218,000 to fund additional preventative maintenance programmes including drain clearance and cyclical electrical testing.
- 4.4** Appendix 4 gives details of the progress in rent restructuring to date and illustrates potential rent increases forward to the current convergence date of 2015/16 using an estimated RPI of 2.5% per annum.
- 4.5** Appendix 5 details the proposed average rent for 2011/12 with recommended charges for other services. Gas charges for communal heating schemes will be increased by 7.5% to reflect anticipated fuel increases and there will be a 25% increase towards the rising cost of the electric fuelled scheme at Cumming Court. Provision has been included for a 3% increase in garage rents to reflect both inflation and fund a significant improvement programme in garage sites.

## **5. Service Charges**

- 5.1** The proposed charges for cleaning, grounds maintenance and communal power are currently being finalised. It is anticipated that cleaning charges will increase by 1.7% and grounds maintenance by 10.2% (reflecting the full impact of single status implementation). Changes to the charges for communal power will be block specific dependent on consumption estimates.

## **6. Cheltenham Borough Homes (CBH)**

- 6.1** The budget includes provision for the management fee payable to CBH. The company has submitted its own detailed budget and fee proposal for 2011/12.
- 6.2** CBH budgets for 2011/12 were prepared to achieve a breakeven position based on the assumption of holding fees and charges to the Council at 2010/11 levels. The company reports

that savings of £204,500 will be achieved with a proportion of that sum being re-invested to deliver further efficiencies and improvements to tenant services.

- 6.3** The HRA management fee for 2011/12 is cash frozen except for:-
- One off item of £35,000 to provide for the implementation of an Enterprise Resource Planning (ERP) system as part of the GO shared services programme.
  - A growth bid of £31,500 to fund a new post of Money & Benefits Officer. This follows the confirmation of a significant rent increase in the final subsidy determination and a reduction in the estimate of subsidy payable thus releasing additional resources. The post will assist the delivery of the financial exclusion strategy helping tenants through the impact of spending cuts and controlling the level of rent arrears.

The fee for managing the capital programme is kept cash frozen for a similar range and value of projects in 2011/12.

- 6.4** The overall cost of reactive repairs to the stock is forecast at £2,559,000 being a balance of CBH direct costs and use of sub contractors. CBH has commenced a comprehensive review of the maintenance operation which is expected to produce significant savings from 2012/13 onwards.
- 6.5** There is a reduction in the cost of delivering the estate cleaning contract which arises from savings on the waste disposal of fly tipping.
- 6.6** The company's income is derived primarily from four funding streams being management fees chargeable to the HRA and the HRA Capital Programme, the cost of revenue and capital repairs and the block cleaning service (mainly funded by service charges to tenants and leaseholders). CBH also provides a cashiering facility for General Fund Services at the two area offices. The fee submission for the main areas of activity is shown below and compared with 2010/11.

		<b>2010/11 (Revised)</b>	<b>2011/12</b>
Average Stock		4,597	4,592
		<b>£</b>	<b>£</b>
Management Fee			
- including growth bid	Gross Cost	<b>4,263,700</b>	<b>4,330,200</b>
	Per Unit	927	943
Reactive Repairs	Gross Cost	<b>2,165,700</b>	<b>2,165,700</b>
	Per Unit	471	472
Management of Capital Programme		<b>405,000</b>	<b>405,000</b>
Block Cleaning Service		<b>324,500</b>	<b>310,700</b>
<b>Total</b>		<b>7,158,900</b>	<b>7,211,600</b>

## 7. HRA Capital Programme

- 7.1** The revised programme for 2010/11 and proposals for 2011/12 are shown at Appendix 6, together with a more detailed schedule of improvement and repair works at Appendix 7.
- 7.2** The revised estimates for the current year reflect changes identified in budget monitoring reports. Estimated spend in year will reduce from £4,482,000 to £3,851,000 primarily due to a later start on the transformational improvements in St Paul's. Works have now started on site and will continue through 2011/12.

**7.3** The 2011/12 programme reflects the need to spend identified in the stock condition database and includes provision for works delayed in the current year. This will retain all stock to decency standard and provide further neighbourhood improvements through external works.

**8. HRA Capital Receipts**

**8.1** In February 2008 the Council approved a resolution to use capital receipts from the sale of HRA assets (other than Right to Buy sales), realised in the period to 31st March 2011, to fund affordable housing provision. This has exempted such receipts from pooling regulations which could have resulted in either 50% or 75% of the receipt being paid to Government. The Government has announced that despite the introduction of self financing in April 2012 pooling will continue throughout the period covered by the latest Comprehensive Spending Review. It is therefore recommended that a further resolution be approved to continue the policy of using such receipts to fund investment in affordable housing.

**9. Consultation process**

**9.1** The draft budget proposals approved by Cabinet on 21<sup>st</sup> December 2010 were endorsed by the Board of Cheltenham Borough Homes Ltd. subject to the growth bid identified in paragraph 6.3. No further comments have been received during the public consultation period.

<b>Report author</b>	<p>Bob Dagger, Assistant Chief Executive, Cheltenham Borough Homes</p> <p>Tel. 01242 264225; e-mail address: bob.dagger@cheltborohomes.org</p> <p>Mark Sheldon, Chief Finance Officer</p> <p>Tel. 01242 264123; e-mail address: mark.sheldon@cheltenham.gov.uk</p>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. HRA Operating Account</li> <li>3. Housing Repairs Account and Major Repairs Reserve</li> <li>4. Rent Restructuring</li> <li>5. HRA – Rents and Charges</li> <li>6. HRA Capital Programme</li> <li>7. HRA works to properties 2011/12</li> </ol>
<b>Background information</b>	<p>HRA subsidy determinations received from DCLG, 10<sup>th</sup> January 2011</p>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	Reform of local authority housing finance	Mark Sheldon	November 2010	4	6	24	Accept	Government has confirmed its intention to scrap the HRA subsidy system and replace it with a self financing alternative by April 2012. Impact remains uncertain until further details are published but initial assessment would indicate that this would be beneficial to the Council.. This will change significantly previous HRA medium and long term forecasts. Progress to be monitored and new HRA Business Plan to be prepared following receipt of Government proposals.	April 2012	Paul Jones	Corporate
2	Supporting People Grant	Mike Redman	November 2010	2	4	8	Accept	Funding for existing contracts currently under review. Should contracts not be renewed then a decision on future service provision would be required.	April 2011	Kath Chamberlain	Divisional
3	Higher than estimated void rent loss	Mike Redman	November 2010	2	1	2	Accept	Demand for social housing remains high with significant waiting list. Current number of void properties at lowest level for many years and CBH are achieving top quartile performance for void re-	March 2012	Kath Chamberlain	Divisional

								letting times. Quality of accommodation needs to be maintained and changes in tenancy termination rates monitored.			
4	Demand for reactive repairs increased	Mike Redman	November 2010	4	2	8	Accept	Having completed the decent homes programmes and refreshed stock condition data CBH can plan more effectively for future maintenance spend. The major peril to the stock is fire which is covered by appropriate insurance. HRA reserves are maintained at a level which is considered sufficient for uninsured stock damage.	March 2012	Kath Chamberlain	Divisional

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	2010/11		2011/12
	Original	Revised	Estimate
	£	£	£
<b><u>EXPENDITURE</u></b>			
General & Special Management	1,800,300	1,803,300	1,835,700
ALMO Management Fee	4,263,700	4,263,700	4,330,200
Rents, Rates, Taxes and Other Charges	56,500	39,500	39,900
Transfer to Housing Repairs Account	3,735,000	3,735,000	3,953,000
Provision for Bad Debts	200,000	200,000	200,000
Interest Payable	752,200	576,900	576,900
Depreciation of Dwellings	3,101,300	3,101,300	3,240,900
Depreciation of Other Assets	75,000	78,000	86,000
Debt Management Expenses	46,500	46,500	46,500
Rent Rebate Subsidy Limitation	131,000	122,000	82,600
Housing Revenue Account Subsidy	3,680,400	3,628,400	3,212,100
<b>TOTAL</b>	<b>17,841,900</b>	<b>17,594,600</b>	<b>17,603,800</b>
<b><u>INCOME</u></b>			
Dwelling Rents	15,788,600	15,773,000	16,678,000
Non Dwelling Rents	396,400	404,800	421,000
Charges for Services and Facilities	702,300	661,000	705,100
HRA Subsidy - ALMO Allowance	2,515,200	2,515,200	0
Supporting People Grant	150,000	150,000	150,000
<b>TOTAL</b>	<b>19,552,500</b>	<b>19,504,000</b>	<b>17,954,100</b>
<b>NET COST OF SERVICES</b>	<b>-1,710,600</b>	<b>-1,909,400</b>	<b>-350,300</b>
Amortised Premiums / Discounts	8,900	8,900	8,900
Interest Receivable	-66,700	-79,400	-67,400
<b>NET OPERATING INCOME</b>	<b>-1,768,400</b>	<b>-1,979,900</b>	<b>-408,800</b>
<b><u>Appropriations</u></b>			
Revenue Contributions to Capital	1,245,700	649,700	1,587,100
Transfer from Major Repairs Reserve	-75,000	-78,000	-86,000
<b>HRA SURPLUS carried to reserve</b>	<b>597,700</b>	<b>1,408,200</b>	<b>-1,092,300</b>
<b>Revenue Reserve brought forward</b>	<b>648,800</b>	<b>1,580,800</b>	<b>2,989,000</b>
<b>Revenue Reserve carried forward</b>	<b>1,246,500</b>	<b>2,989,000</b>	<b>1,896,700</b>
<b>Average Rent:-</b>			
<b>Increase 1st April 2011</b>			<b>5.43%</b>
<b>48 wk</b>	<b>72.45</b>	<b>72.45</b>	<b>76.39</b>
<b>52 wk</b>	<b>66.87</b>	<b>66.88</b>	<b>70.51</b>
<b>Average Stock</b>	<b>4,595</b>	<b>4,597</b>	<b>4,592</b>

**HOUSING REPAIRS ACCOUNT**

	2010/11		2011/12
	Original	Revised	Estimate
	£	£	£
<b><u>EXPENDITURE</u></b>			
<b>Repairs &amp; Maintenance :-</b>			
Reactive Repairs	2,559,000	2,559,000	2,559,000
Annual & Cyclical Maintenance	1,176,000	1,176,000	1,394,000
	<b>3,735,000</b>	<b>3,735,000</b>	<b>3,953,000</b>
<b><u>INCOME</u></b>			
Contribution from Housing Revenue Account	<b>3,735,000</b>	<b>3,735,000</b>	<b>3,953,000</b>
<b>Surplus/Deficit for the Year</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance brought forward	0	0	0
<b>Balance carried forward</b>	<b>0</b>	<b>0</b>	<b>0</b>

**MAJOR REPAIRS RESERVE**

	2010/11		2011/12
	Original	Revised	Estimate
	£	£	£
Balance brought forward	0	0	0
Major Repairs Allowance	3,101,300	3,101,300	3,240,900
	<b>3,101,300</b>	<b>3,101,300</b>	<b>3,240,900</b>
Utilised in Year (Funding Capital Programme App 6)	-3,101,300	-3,101,300	-3,240,900
Balance carried forward	<b>0</b>	<b>0</b>	<b>0</b>



### RENT RESTRUCTURING

This shows Cheltenham's progression towards rent restructuring. The Government currently estimates this will be completed by 2015/16. However this will be subject to future rates of inflation and government rent policy.

Definitions:-

**Formula Rent** = the target for Cheltenham as calculated by the government's formula

**Limit Rent** = the maximum rent that the government will pay for rent rebates

**Guideline Rent** = the rent the government uses to calculate income in the subsidy calculation

By the end of rent restructuring formula rent, limit rent, guideline rent and the actual rent paid by tenants are required to be the same.

	<b>Formula Rent</b>		<b>Limit Rent</b>	<b>Guideline Rent</b>	<b>Actual Rent</b>	
	£	% Inc			£	£
2010-2011	67.91		66.22	63.61	66.88	
2011-2012	71.37	5.1	69.95	67.76	70.51	5.4
2012-2013	73.51	3.0	72.41	70.72	72.85	3.3
2013-2014	75.72	3.0	74.96	73.80	75.27	3.3
2014-2015	77.99	3.0	77.60	77.00	77.76	3.3
2015-2016	80.33	3.0	80.33	80.33	80.33	3.3

**HOUSING REVENUE ACCOUNT - RENTS & CHARGES**

	<b>2010/11</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
Dwelling Rents (average)		
48 wk basis	<b>72.45</b>	<b>76.39</b>
52 wk basis	<b>66.88</b>	<b>70.51</b>
Garages (per month)	<b>24.50</b>	<b>25.24</b>
Communal Heating Schemes (52 wk basis)		
Gas		
1 person flat	<b>6.68</b>	<b>7.18</b>
2 person flat	<b>9.00</b>	<b>9.68</b>
Cumming Court		
1 person flat	<b>3.02</b>	<b>3.78</b>
2 person flat	<b>4.16</b>	<b>5.20</b>
Guest Bedrooms (per night)	<b>9.00</b>	<b>10.00</b>

**HRA CAPITAL PROGRAMME**

	<b>2010/11</b>		<b>2011/12</b>
	<b>Original</b>	<b>Revised</b>	<b>Estimate</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b><u>EXPENDITURE</u></b>			
Property Improvements & Major Repairs (incl fees)	4,022	3,391	4,368
Adaptations for the Disabled	350	350	350
Environmental Works (Tenant Selection)	60	60	60
Repurchase of Shared Ownership Dwellings	50	50	50
	<b><u>4,482</u></b>	<b><u>3,851</u></b>	<b><u>4,828</u></b>
<b><u>FINANCING</u></b>			
Government Grant (Cavity Wall Insulation)	85		
Capital Receipts	50	100	
HRA Revenue Contribution	1,246	650	1,587
Major Repairs Reserve	3,101	3,101	3,241
	<b><u>4,482</u></b>	<b><u>3,851</u></b>	<b><u>4,828</u></b>

<b>HRA WORKS TO PROPERTIES 2011/12</b>	
<b>COST HEADING</b>	<b>2011/12 BUDGET</b>
	<b>£</b>
<b>INTERNAL IMPROVEMENTS</b>	<b>400,000</b>
<b>INSULATION</b>	<b>25,000</b>
<b>WORKS TO BUILDING FABRIC</b>	<b>393,000</b>
<b>RENEWAL OF WATER MAINS</b>	<b>100,000</b>
<b>RENEWAL OF HEATING SYSTEMS</b>	<b>100,000</b>
<b>MAJOR REFURBISHMENTS TO VOID PROPERTIES</b>	<b>350,000</b>
<b>WINDOWS &amp; DOORS</b>	<b>100,000</b>
<b>ASBESTOS</b>	<b>100,000</b>
<b>SHELTERED ACCOMMODATION</b>	<b>50,000</b>
<b>NEIGHBOURHOOD WORKS</b>	<b>430,000</b>
<b>DOOR ENTRY SCHEMES</b>	<b>200,000</b>
<b>STRUCTURAL/DAMP WORKS</b>	<b>100,000</b>
<b>CARBON MONOXIDE DETECTORS</b>	<b>25,000</b>
<b>FIRE PROTECTION</b>	<b>50,000</b>
<b>AUTOMATIC DOOR OPENERS</b>	<b>80,000</b>
<b>ELECTRIC SCOOTER HOUSING</b>	<b>60,000</b>
<b>ST PAULS TRANSFORMATIONAL IMPS</b>	<b>1,250,000</b>
<b>GARAGE IMPROVEMENTS</b>	<b>100,000</b>
<b>ELECTRIC SUB MAINS</b>	<b>50,000</b>
<b>FEE FOR MANAGING PROGRAMME</b>	<b>405,000</b>
<b>TOTAL BUDGET</b>	<b>4,368,000</b>

## Cheltenham Borough Council

**Cabinet – 8 February 2011**

**Council - 11 February 2011**

### **Treasury Management Strategy Statement and Annual Investment Strategy 2011/12**

<b>Accountable member</b>	<b>Finance &amp; Community Development , John Webster</b>
<b>Accountable officer</b>	<b>Chief Finance Officer, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>Economy &amp; Business Improvement</b>
<b>Ward(s) affected</b>	<b>None</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the public services. To comply with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year.
<b>Recommendations</b>	<p>Cabinet recommend to Council the approval of the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2011/12 at Appendix 2 including :</p> <ul style="list-style-type: none"> <li>• <b>The general policy objective ‘that Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.</b></li> <li>• <b>That the Prudential Indicators for 2011/12 including the authorised limit as the statutory affordable borrowing limit determined under Section 3 (1) Local Government Act 2003 be approved.</b></li> <li>• <b>Additions to the Council’s lending list are proposed in order to provide some further capacity. These proposals have been put forward after taken advice from the Council’s treasury management advisers and are prudent enough to ensure the credit quality of the Council’s investment portfolio remains high.</b></li> <li>• <b>To increase the time period of investing up to two years with counterparties noted in the recommended lending list.</b></li> <li>• <b>For 2011/12 in calculating the Minimum Revenue Provision (MRP), the Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure as per section 21 in Appendix 3.</b></li> </ul>

<b>Financial implications</b>	All financial implications are noted in the report.  <b>Contact officer: Andrew Sherbourne,</b> <b>andrew.sherbourne@cheltenham.gov.uk, 01242 264337</b>
<b>Legal implications</b>	As detailed in the report.  <b>Contact officer: Nicolas Wheatley</b> <b>nicolas.wheatley@teWKesbury.gov.uk, 01684 272695</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@cheltenham.gov.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.

## 1. Background

1.1 The CIPFA Code of Practice for Treasury Management in Public Services and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and the Prudential Indicators on an annual basis. The Treasury Management Strategy Statement also incorporates the Investment Strategy as required under the CLG's Investment Guidance.

1.2 For the purposes of the Code, CIPFA has adopted the following as its definition of treasury management activities:

*“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

1.3 The Council will create and maintain, as the basis for effective treasury management:

- A Treasury Management Strategy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable Treasury Management Practices (TMP's) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.4 The local authorities (Capital Finance and Accounting) (England) Regulations 2003, which came into force on 1<sup>st</sup> April 2004, include provisions relevant to investments. These regulations, together with amendments subsequently made to them (S.I No.534), determine the nature of specific investments, and how they should be treated/accounted for by a local authority. Formal guidance was revised and issued by the Communities and Local Government (CLG) in 2010.

1.5 The Treasury Management Strategy Statement and Annual Investment Strategy at Appendix 2, state the overriding principles and objectives governing treasury management activity. As an integral part of that Statement, the Council includes the preparation of Treasury Management Practices which set out the manner in which the Council will achieve those principles and objectives prescribing how it will manage and control those activities.

1.6 The general policy objective of the Annual Investment Strategy is that:

**‘the Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.**

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of its treasury management activities.

1.7 The strategy allows sufficient flexibilities and delegations to avoid the need for a formal variation, other than in the most exceptional circumstance.

## 2.0 Icelandic Banks

2.1 The council has been actively pursuing the deposits from the three Icelandic owned banks, Glitnir, Landsbanki and Kaupthing Singer and Friedlander (KSF). The situation with both Glitnir and Landsbanki is that the council’s legal advisors have now filed written submissions with the Icelandic courts with regards to the deposits made in 2006, and court hearings are due to take place in early-spring 2011. As regards to KSF we have received £1.628m back to date which amounts to 53p in the pound. The latest information we have indicates a recovery rate in the range of 75p to 84p in the pound.

## 3.0 Consultation

3.1 The Council’s external treasury advisors, Arlingclose Ltd, supported the Council in the production of the strategies.

3.2 The strategy was approved by the Treasury Management Panel at its meeting on 27<sup>th</sup> January 2011.

<b>Report author</b>	<b>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk 01242 264123</b>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Treasury Management Strategy Statement and Annual Investment Strategy for 2011/12</li> <li>3. Annual MRP Statement</li> </ol>
<b>Background information</b>	<p>Section 15(1)(a) of the Local Government Act 2003</p> <p>Cheltenham Borough Council Treasury Management Practices</p>

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The risk			Managing risk				Original risk score (Impact x likelihood)	
Risk ref.	Risk description	Risk Owner	Date raised	Control	Action	Deadline	Responsible officer	Transferred to risk register
CR28	Icelandic Banks – financial exposure If the current status as priority deposits with Landsbanki bank is successfully challenged, the council's deposits would be re-classified as 'general unsecured creditors' resulting in a lower recovery rate and exposure to claimant costs and impact on the MTFS over that already factored in through the capitalisation of losses.	Director for Resources Mark Sheldon	9 April 2010	Accept	Council commitment to join in group action with other councils to defend current priority depositor status.  Initial court hearings to take place in February 2011 but any decision could be delayed if appeals are to be made against the outcome.	June 2011	Section 151 Officer Mark Sheldon	
CR33	Icelandic Banks – financial exposure If the group claim against Glitnir bank fails and the council is not recognised as a 'priority depositor' the council's deposits would be re-classified as 'general unsecured creditors' resulting in a low recovery rate and exposure to defendants costs.	Director for Resources Mark Sheldon	9 April 2010	Accept	Council commitment to join in group action with other councils to defend current priority depositor status  Capitalisation direction approved for £4.3m allows for write off of loss over 20 years.  Initial court hearings to take place in March 2011 but any decision could be delayed if appeals are made against the outcome.	June 2011	Section 151 Officer Mark Sheldon	

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HRA-1	Reform of local authority housing finance	Director for Resources Mark Sheldon	November 2010	4	6	24	Accept	Government has confirmed its intention to scrap the HRA subsidy system and replace it with a self financing alternative by April 2012. Impact remains uncertain until further details are published but initial assessment would be beneficial to the Council. This will change significantly previous HRA medium and long term forecasts. Progress to be monitored and new HRA Business Plan to be prepared following receipt of Government proposals.	April 2012	Paul Jones	
	To increase the duration of investments for up to two years Associated risks are Regulatory, Liquidity & Interest Risk.	Director for Resources Mark Sheldon	27 <sup>th</sup> January 2011				Accept	Arlingclose Ltd, the council's treasury advisors view the associated risks to be a fair trade off for some of the potential returns available for lending beyond one year.		Section 151 Officer Mark Sheldon	
	Regulatory Risk- Economists are commenting that the British banking sector could become stronger if the retail, commercial and investment portions of the banks were to be sold off. Where would our deposits reside if this occurred.	Director for Resources Mark Sheldon	27 <sup>th</sup> January 2011	2	4	8		If the banks were to be split up, it would take a number of months/years before it came into force.	December 2011		
	With liquidity risk – if we have 'run on a bank' we could face a longer time to wait to get our investments back	Director for Resources Mark Sheldon	27 <sup>th</sup> January 2011	3	3	9		The banks on our approved counter party list are all deemed to be systemically important to our sovereign country	December 2011		



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**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

**TREASURY MANAGEMENT STRATEGY STATEMENT**

**1. Introduction**

The Local Government Act 2003 requires the Council to 'have regard to 'the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (AIS) (as required by Investment Guidance issued subsequent to the Act) (included as paragraph 9). The AIS sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisors, Arlingclose Ltd. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- prospects for interest rates;
- the borrowing requirement;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy;
- Annual MRP statement
- Other items

There is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- a) increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- b) any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

**2. Treasury Limits for 2011/12 to 2013/14**

There is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by external borrowing. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and the two successive financial years.

**3. Prudential Indicators for 2010/11 – 2013/14**

3.1.1 The Council is also required to indicate that it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted in February 2002 by full Council.

The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.

3.1.2 The Council must estimate its total capital expenditure, split between the Housing Revenue Account (HRA) and non HRA, in the next three or more financial years. This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

3.1.3 The actual capital expenditure that was incurred in 2009/10 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:-

<b>Capital Expenditure</b>					
Proposed Capital programme	2009/10 £000 Actual	2010/11 £000 Revised	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate
General Fund	2,136	3,254	7,641	4,956	1,056
HRA	4,314	3,851	4,828	3,800	4,000
Total	6,450	7,105	12,469	8,756	5,056

**3.1.4 Estimates of the ratio of financing costs to the net revenue stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It would not be prudent for borrowing costs to be a significant proportion of net revenue either now or in the future. By estimating the ratio for at least the next three years the trend in the cost of capital (borrowing costs net of interest and investment income) as a proportion of revenue income can be seen.

3.1.5 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2009/10 are:

<b>Ratio of Financing Costs to Net Revenue Stream</b>					
	2009/10 Actual %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Non-HRA	3.03%	3.77%	4.81%	5.07%	4.52%
HRA	2.55%	2.67%	2.67%	3.64%	3.60%

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

**3.1.6 Capital Financing Requirement**

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, Cheltenham Borough Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. Cheltenham Borough Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending.

3.1.7 The Council can borrow without limit, provided it ensures such borrowing is affordable, prudent and sustainable.

3.1.8 Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31<sup>st</sup> March 2010 are:

<b>Capital Financing Requirement (CFR)</b>					
	31/3/10 £000 Actual	31/3/11 £000 Revised	31/3/12 £000 Estimate	31/3/13 £000 Estimate	31/3/14 £000 Estimate
Non-HRA	26,709	25,834	28,818	31,118	30,534
HRA	18,728	18,728	18,728	18,728	18,728
Total CFR	45,437	44,562	47,546	49,846	49,262

The move to International Financial Reporting Standards (IFRS) from 1 April 2010 may in future have implications for the capital expenditure and Capital Financing Requirement (CFR) indicators. This is because under IFRS all leases have to be reassessed and classified either as 'finance' or 'operating' leases. Under IFRS, finance leases in effect count as capital expenditure funded by borrowing, whereas operating leases are rental agreements, which do not affect the indicators.

Following an analysis of the council's leases at 1 April 2010, all have been classified as operating leases. However if the wheeled bins, caddies, recycling and other vehicles to be bought in 2010/11 are leased, they are likely to be classified as finance leases, counting as capital expenditure and borrowing. Given the accounting treatment of finance leases is now in effect the same as if the council undertook prudential borrowing, an assessment of the funding options for these assets is currently being undertaken.

If the assets are leased under a finance lease or if the council borrows to fund the assets, the forecast capital expenditure and CFR for 2010/11 will increase by the cost of these assets and the prudential indicators will need to be revised for future years. This will be reported as part of the Treasury Management and Revenue Outturn reports in June 2011.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

**3.1.9 Net borrowing and the Capital Financing Requirement**

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

3.1.10 Local authorities may borrow temporarily to cover cash flow shortages but over the medium term should only borrow to finance capital expenditure.

3.1.11 In order to ensure that over the medium term net borrowing will only be for capital purposes, the Council needs to ensure its net external borrowing does not exceed its Capital Financing Requirement over the current and next three years. The table below demonstrates that the estimated level of net investments remains lower than the capital financing requirement in each year, and therefore meets this requirement.

Estimated net borrowing and capital financing requirement at Year end	2009/10 £000 Actual	2010/11 £000 Revised	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate
Gross borrowing	51,997	57,013	60,612	63,512	61,512
Investments	16,557	15,535	15,535	15,535	13,535
Net (Investment) / borrowing	35,440	41,478	45,077	47,977	47,977
Capital financing requirement	45,437	44,562	47,546	49,846	49,262

**3.1.12 Estimates of the incremental impact of capital expenditure on the council tax and housing rents**

A fundamental indicator of the affordability of capital expenditure plans is its impact on the council tax and housing rents. Any borrowing for capital purposes has an impact on the revenue account and, to the extent it is not supported by government or other contributions, on council tax and/or housing rents. Using capital receipts to fund capital expenditure also has an impact because the assets sold would no longer generate rental income or investment income. The use of revenue funding to fund capital clearly has a direct impact on the revenue account and council taxes/rents. The completed capital schemes will also have an impact in terms of running costs and income generated.

3.1.13 The Council must estimate the incremental impact of its capital expenditure plans (shown above) on the council tax and housing rents for the next three years or more.

3.1.14 The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken by the Council are:



**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

For the Band D Council Tax –

2011/12	2012/13	2013/14
£Nil*	£Nil	£Nil

\* As a proposed Council Tax freeze for 2011/12.

For average weekly housing rents

2011/12	2012/13	2013/14
Nil**	Nil**	Nil**

\*\* Decisions on annual rent increases are now subject to rent restructuring guidelines set by Central Government. As a consequence the link between rent levels and capital expenditure no longer applies.

### 3.2 External Debt Indicators

Two limits need to be set and monitored to ensure borrowing is prudent, affordable and sustainable.

#### 3.2.1 Authorised Limit

The Council must set an authorised limit for its external debt for the next three financial years or more. This is

- the possible maximum level of borrowing that may need to be incurred and the limit beyond which borrowing will be prohibited
- the statutory limit specified in section 3(1) of the Local Government Act 2003
- Reflects a level of borrowing which, although affordable in the short term may not be sustainable
- The 'outer boundary' of the Council's possible need to borrow.

3.2.2 In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt gross of investments for the next three financial years. The Council is asked to approve these limits and to delegate authority to the Section 151 Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority.

<b>Authorised Limit for External Debt</b>				
	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000
Borrowing	83,000	81,000	80,000	79,000
Other long term liabilities	-	-	-	-
Total	83,000	81,000	80,000	79,000

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

- 3.2.3 In setting the limit, account must be taken of the authority's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. Risk analysis has been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements.

This limit represents the worst case scenario, i.e. the effect on the cash flow of receiving no council tax income and borrowing to the maximum of the capital financing requirement, in addition to investments held. The calculation follows a prescribed formula and is in excess of the expected levels of borrowing for 2011/12 to 2013/14 in accordance with Treasury strategy and as shown in the Operational Boundary indicator in paragraph 3.2.6.

- 3.2.4 In taking its decisions on this report, the Council is asked to note that the authorised limit determined for 2011/12 the statutory limit determined under section 3(1) of the Local Government Act 2003.

**3.2.5 Operational Boundary**

The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long term liabilities are separately identified. The Council is also asked to delegate authority to the Section 151 Officer, to effect movement between separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit.

- 3.2.6 The boundary may be breached occasionally due to unexpected cash flow shortages but a sustained breach would indicate the Council may be in danger of breaching the Authorised Limit. The Council is recommended to approve the following limits for this indicator.

<b>Operational Boundary for External Debt</b>				
	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £'000
Borrowing	67,000	71,000	74,000	72,000
Other long term liabilities	-	-	-	-
Total	67,000	71,000	74,000	72,000

- 3.2.7 The operational boundary represents the maximum expected operational borrowing at a given time, which is significantly lower than the prescribed authorised limit shown in paragraph 3.2.2. This measure reflects a more realistic view of likely cash flow scenarios, and should not be exceeded.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

3.2.8 The Council's actual external debt at 31st March 2010 was £51.997 million. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

**3.3. Upper limits on interest rate exposure**

The Council must set upper limits on its exposure to changes in interest rates for at least the next three years. An upper limit must be set for both fixed and variable rates covering both borrowing and investments.

- 3.3.1 The purpose of these indicators is to reduce the likelihood of an adverse movement in interest rates or borrowing / investment decisions impacting negatively on the Council's overall financial position.
- 3.3.2 It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2011/12, 2012/13 and 2013/14 of its gross outstanding borrowing.
- 3.3.3 It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2011/12, 2012/13 and 2013/14 of 100% of its gross outstanding borrowing.
- 3.3.4 This means the Section 151 Officer will manage fixed interest rate exposures within the range 0% to 100% and variable interest rate exposures within the range 0% to 100%.

**3.3.5 Maturity structure of borrowing**

The Council must set both upper and lower limits with respect to the maturity structure of borrowing for the following financial year. This indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. Therefore the aim should be a relatively even spread of debt repayment dates.

3.3.6 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period is:

	Upper Limit %	Lower Limit %
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

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

20 years and within 30 years	100	0
30 years and within 40 years	100	0
40 years and within 50 years	100	0
50 years and above	100	0

**4. Current Portfolio Position**

The Council's treasury debt portfolio position at 31<sup>st</sup> December 2010 comprised:

		<b>Principal</b>		<b>Ave. rate</b>
		£m		%
Fixed rate borrowing	PWLB	11.0		4.78
	Market	<u>15.9</u>	26.9	4.00
Variable rate borrowing	PWLB	0		
	Market	<u>0</u>		
Temporary Borrowing			8.0	0.56
<b>TOTAL DEBT</b>			<b><u>34.9m</u></b>	<b>3.46</b>
<b>TOTAL INVESTMENTS</b>			<b>19.4m</b>	<b>3.06</b>

**5. Outlook for Interest Rates**

- 5.1 The Bank of England cut interest rates to 0.5% in March 2009, its lowest level in its 315 year history as part of a continued effort to aid an economic recovery. It is expected that the Bank Rate will remain at this level for some time, and is not predicted to start to rise before the 2<sup>nd</sup>/ or 3<sup>rd</sup> quarter of 2011. Short – term money market rates will continue to pay at very low levels. This impact on investment income has been factored into 2011/12 investment budgets.

The recently announced Basel III capital/liquidity rules are positive for banks. However, the restructuring of UK bank balance sheets is ongoing and is expected to take a long time to complete, and is a pre-condition for eventual normalization of credit conditions and bank lending.

- 5.2 Part of the service offered by the Council's treasury advisers, Arlingclose Ltd, is to assist the Council to formulate a view on interest rates.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

The following table gives Arlingclose Ltd view:

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Official Bank Rate													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	2.75	3.00	3.00	3.00	3.00
Downside risk	-	-	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.65	1.90	2.15	2.40	2.50	2.50	2.75	3.00	3.25	3.50	3.50	3.50	3.50
Downside risk	- 0.25	- 0.25	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
5-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.75	3.00	3.25	3.50	3.75	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.00
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
10-yr gilt													
Upside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.90	4.00	4.10	4.25	4.50	4.75	4.75	4.75	4.75	4.75	5.00	5.00	4.75
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
20-yr gilt													
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.25	5.25	5.00
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
50-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	4.25	4.50	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.50	4.75	4.75	4.50
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25

### 5.3 Outlook for the Economy

**Credit** - The availability of credit is still expected to remain restricted as banks address their balance sheets, particularly as banks change their lending behaviour and lower their lending risk. Also the uncertainty surrounding Eurozone sovereign debt will remain a driver of global credit market sentiment.

**Growth** – The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank of England will stick to its lower for longer stance on policy rates. Consumer Price Inflation (CPI) has risen to 3.7% driven largely by energy and transport prices and could peak at over 4% in the first quarter of 2011 with the impact of the VAT increase. CPI will remain high for the rest of the year and February's Inflation Report could be a key indicator to the timing and aggressiveness of interest rates.

**Labour Market** – employment outlook remains uncertain, as unemployment remains near a sixteen year high at just over 2.5 million as is set to increase as the Public Sector shrinks. Pay freezes and job losses will continue into 2011.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012****6. Borrowing Strategy**

The Council prefers to maintain maximum control over its borrowing activities as well as flexibility on its loan portfolio. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising longer-term stability of the portfolio, consistent with the Council's Prudential Indicators. In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Chief Finance Officer will keep under review the options it has in borrowing from the PWLB, the market and other sources.

Any borrowing undertaken and the timing will depend on capital expenditure levels, interest rate forecasts and market conditions during the year in order to minimise borrowing costs. The Council will be advised by Arlingclose Ltd of the specific timing of borrowing. The overall borrowing must be within the Council's projected Capital Financing Requirement (CFR) and its approved Affordable Borrowing Limit.

**7. Debt Rescheduling**

The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility may provide opportunities for rescheduling debt from time to time. The rationale for rescheduling would be one or more of the following:

- Savings in interest costs with minimal risk
- Balancing the ratio of fixed to variable debt
- Amending the profile of maturing debt to reduce inherent refinancing risks.

Any rescheduling activity will be undertaken following the rationale within the Council's Treasury Management Strategy. The Section 151 Officer will agree in advance with Arlingclose Ltd the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose Ltd and discussed with the Council's officers.

All rescheduling activity will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

All rescheduling and any new long term borrowing undertaken will be reported to the Treasury Management Panel at the meeting following its action.

**ANNUAL INVESTMENT STRATEGY****8. Investment Policy**

The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2010 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

- Security of the invested capital;
- Liquidity of the invested capital;
- An optimum yield which is commensurate with security and liquidity.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

As such it is important to restate the overall policy objective of the Annual Investment Strategy i.e. that:

**‘the council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.**

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the ‘Specified’ Investments categories.

**Specified investments** are investments offering high security and high liquidity. The investments will be sterling denominated with maturities up to a revised maximum of 1 year and meet the minimum ‘high’ credit rating criteria where applicable.

**SPECIFIED INVESTMENTS**

**All “Specified Investments” listed below must be sterling-denominated.**

<b>Investment</b>	<b>Max Sum per institution/group</b>	<b>Maximum period</b>
<b>Debt Management Agency Deposit Facility*</b> (DMADF) <ul style="list-style-type: none"> <li>this facility is at present available for investments up to 6 months</li> </ul>	NONE	6 months
<b>Term deposits</b> with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	£5m	1 year
<b>Term deposits</b> with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	£7m	1 year

**Non-specified investments** are of greater potential risk and cover deposit periods over one year. To protect against a lower for longer prolonged period of low interest rates and to provide certainty of income, two year deposits will be actively considered within the limits the Council has set for its specified and non-specified investments. Arlingclose Ltd, the council’s treasury advisors have been consulted with this change and have endorsed the extension of investments with UK Banks and Building Societies.

**9. Lending criteria**

**Period of loans**

On the advice of the treasury advisors Arlingclose Ltd and in view of the current prevailing interest rates, the council is seeking to extend lending to a maximum of 2 years and with only the institutions listed in the Councils approved lending list. There is one organisation which the Council could lend up to 3 years (Gloucestershire Airport Company), which the Council owns a 50% share in.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

**Credit ratings**

The credit crisis and exposure to Icelandic banks has focused attention on the treasury management priority of security of capital monies invested. An authorised 'Counter party lending' list is maintained by the treasury team on behalf of the Council's Section 151 Officer which includes those counterparties which meet the minimum criteria for lending. The Council will use Fitch, Moody's and Standard and Poor ratings to derive its criteria for lending. CIPFA suggests using the lowest rating from all three of the agencies to determine creditworthy counterparties, plus additional market information. On the advice of Arlingclose Ltd in order to minimise risk, the Council will restrict lending to those institutions which meet the following minimum criteria, defined as:

**Moody's ratings:**

Aaa – Aa3 are judged to be of the highest quality, with minimal credit risk for long term investments. The ratings from Aa may be modified by the addition of a 1, 2 or 3 to show relative standing within the category where the highest within the rating is 1 and 3 the lowest.

P-1 - Banks having this rating offer superior credit quality and a very strong capacity for timely payment of short-term deposit obligations.

**Fitch ratings:**

AAA - AA– Implies a bank with very high credit quality and denotes expectations of very low credit risk. They indicate very strong capacity for payment of long term financial commitments. The ratings may be modified by the addition of – or + where a + is higher rated within this category.

F1+ - Indicates the strongest capacity for timely payment of short term financial commitments.

**S&P ratings:**

AAA - AA– Implies a bank with very high credit quality and denotes expectations of very low credit risk. They indicate very strong capacity for payment of long term financial commitments. The ratings may be modified by the addition of – or + where a + is higher rated within this category.

A-1+ - Indicates the strongest capacity for timely payment of short term financial commitments.

The Council is alerted to changes in Fitch, Moody's and Standard & Poor's ratings through its treasury management advisors, Arlingclose Ltd. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as an investment will be withdrawn immediately. Likewise if a counterparty/investment scheme is upgraded and meets the lending criteria then it will be added to the 'counterparty lending list'.

The Council will monitor and update the credit standing of the institutions on a regular basis. It will not simply rely on credit ratings but will also consider alternative assessments of credit strength i.e. Statements of government support and information on corporate developments or market sentiment towards investment counterparties.

**Size of deposits**

In reviewing the lending criteria in view of the current market situation and based upon advice from Arlingclose Ltd the Council has restricted the lending list to a small number of very low risk counterparties. As such the following is recommended:



**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**

The current authorised lending list meeting the criteria is as follows:

**TABLE 3 CURRENT COUNTERPARTY LENDING LIST & LIMITS**

BANKS	COUNTRY	LONG TERM			SHORT TERM			LIMIT £	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
Bank of Scotland (Lloyds Banking group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Barclays Bank plc	GB	AA-	Aa3	AA-	F1+	P-1	A-1+	7,000,000	2 Years
Clydesdale Bank	GB	AA-	A1	A+	F1+	P-1	A-1+	7,000,000	1 Year
HSBC Bank plc	GB	AA	Aa2	AA	F1+	P-1	A-1+	7,000,000	2 Years
Lloyds TSB (Lloyds Banking Group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Nat West Bank (RBS Group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Royal Bank of Scotland (RBS Group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Standard Chartered Bank	GB	AA-	A1	A+	F1+	P-1	A-1	7,000,000	1 Year
Santander UK PLC	GB	AA-	Aa3	AA	F1+	P-1	A-1+	4,000,000	6 months
BUILDING SOCIETIES	COUNTRY	LONG TERM			SHORT TERM			LIMIT £	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
Nationwide	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years

GOVT & LOCAL GOVERNMENT	COUNTRY	LONG TERM			SHORT TERM			LIMIT £	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
Debt management account	GB	N/A	N/A	N/A	N/A	N/A	N/A	unlimited	6 Months
UK local authorities	GB	N/A	N/A	N/A	N/A	N/A	N/A	5,000,000	1 Year
Cheltenham Festivals	GB	N/A	N/A	N/A	N/A	N/A	N/A	100,000	1 Year

OTHER	COUNTRY	LONG TERM			SHORT TERM			LIMIT £	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
Gloucestershire Airport	GB	N/A	N/A	N/A	N/A	N/A	N/A	1,550,000	3 Years
Gloucestershire Everyman Theatre	GB	N/A	N/A	N/A	N/A	N/A	N/A	1,000,000	2 Years
Cheltenham Borough Homes	GB	N/A	N/A	N/A	N/A	N/A	N/A	5,000,000	2 Years

The Council's shorter term cash-flow investments are made with reference to the outlook for the UK Bank Rate and money markets. For these monies, the Council will mainly utilise its business reserve accounts, Government's Debt Management Office and Term deposits with UK Banks in 2011/12

The existing lending criteria, although limiting the exposure to individual institutions, does not limit the exposure to a particular country. The Icelandic bank position has raised the potential to do so.

**TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012****10. Icelandic banks**

In early October 2008 all three of Iceland's major banks (Glitnir, Kaupthing and Landsbanki) collapsed following their difficulties in re-financing their short-term debt. In the UK, the Financial Services Authority (FSA) placed Kaupthing, Singer & Friedlander (the UK subsidiary of Kaupthing) into administration. The Council has logged claims for recovery of the deposits and some monies have been repaid in 2009 and 2010, leaving deposits of £9.41m still to be repaid. The likely recovery rates or timescales for future repayments is still unknown at this time.

**11. Annual Minimum Revenue Provision (MRP) Statement**

The annual MRP Statement is disclosed in Appendix 3.

**12. Reform to the Council Housing Subsidy System**

The government has confirmed its intention to scrap the HRA Subsidy System and replace it with a self financing alternative. Details of the new system will be announced following the recent Comprehensive Spending Review, and will be introduced in the Localism Bill later this autumn to enable the new system to start in 2012.

This will require the Council to fund the amount owed in the medium term through external borrowing or the use of internal resources. The Council will have the option to borrow from the PWLB or the market. The type of loans taken will be decided on in discussions with the Housing department and Arlingclose Ltd, the Council's treasury advisors.

**13. Reporting on the Treasury Outturn**

The Section 151 Officer will report to Council on its treasury management activities and performance against the strategy at least twice a year, one at mid year and a year end review at closedown time.

The Treasury Management Panel will be responsible for the scrutiny of treasury management activity and practices.

**14. Other Items**

In CIPFA's revised Code for Treasury Management, it requires the Section 151 Officer to ensure that all appropriate staff and members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Training requirements will be identified and any shortfalls will be met by Arlingclose Ltd or other organisations.

## Annual MRP Statement

### Background:

1. For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the Revenue Account that was initially funded by borrowing.
2. In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31<sup>st</sup> March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations required a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, the Department of Communities and Local Government (CLG) produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.
3. The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by Full Council.
4. The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant. MRP is not required to be charged to the Housing Revenue Account. Where a local authority's overall CFR is £nil or a negative amount there is no requirement to charge MRP.
5. The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and Operating Leases may be brought onto the Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore proposed amending the Capital Finance Regulations to ensure that the impact on the Revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

### MRP Options:

6. Four options for prudent MRP provision are set out in the CLG Guidance. Details of each are set out below with a summary set out in Table 1:

#### **Option 1 – Regulatory Method:**

7. This method replicates the position that would have existed under the previous regulatory environment. MRP is charged at 4% of the Authority's underlying need to borrow for capital purposes; the Capital Financing Requirement (CFR). The formula includes an item known as "Adjustment A" which was intended to achieve neutrality between the CFR and the former Credit Ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1<sup>st</sup> April 2004. The formula also took into account any reductions possible related to commutation of capital related debt undertaken by central government.
8. The General Fund MRP charge using this method is estimated at £0.407m for 2011/12.

**Option 2 – CFR Method:**

9. This method simplifies the calculation of MRP by basing the charge solely on the authority's CFR but excludes the technical adjustments included in Option 1. The annual MRP charge is set at 4% of the non-housing CFR at the end of the preceding financial year.
10. The General Fund MRP charge for this method is £nil for 2011/12.

**Option 3 – Asset Life Method:**

11. Under this method MRP is determined by the life of the asset for which the borrowing is undertaken. This can be calculated by either of the following methods:
  - (a) Equal Instalments: where the principal repayment made is the same in each year, or
  - (b) Annuity: where the principal repayments increase over the life of the asset.

The annuity method has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

12. MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.
13. The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.
14. If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.
15. In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made. The maximum useful life for expenditure capitalised by virtue of a direction under s16(2)(b) is 20 years
16. MRP in respect of PFI and Operating Leases brought onto the Balance Sheet under IFRS falls under Option 3.
17. The General Fund MRP charge using this method is estimated at £0.209m for 2011/12.

**Option 4 - Depreciation Method:**

18. The depreciation method is similar to that under Option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the Income and Expenditure account.
19. The General Fund MRP charge for this method is £nil for 2011/12

**Conditions of Use:**

20. The CLG Guidance puts the following conditions on the use of the four options:

Options 1 and 2 can be used on all capital expenditure incurred before 1<sup>st</sup> April 2008 and on Supported Capital Expenditure on or after that date.

Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1<sup>st</sup> April 2008. These options can also be used for Supported Capital Expenditure whenever incurred.

**MRP Policy for 2011/12:**

21. It is proposed that for 2011/12 the Council adopts Option 1 for Supported Borrowing and Option 3 for Unsupported Borrowing. For Option 3, the annuity method for calculating MRP will be used when applicable as it has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

**Table 1****MRP under the CLG Guidance**

<b>MRP Options</b>	<b>1 Regulatory Method</b>	<b>2 CFR Method</b>	<b>3 Asset Life Method</b>	<b>4 Depreciation Method</b>
Classifications of Capital Expenditure impacting on the CFR	Capital expenditure incurred before 1 April 2008			
	Supported Capital expenditure incurred after 1 April 2008		Unsupported Capital expenditure incurred after 1 April 2008	
			Expenditure capitalised by virtue of a Direction under s16(2)(b) of the Local Government Act 2003	
MRP Basis	Former regulations 28 and 29	4% of Non-Housing CFR	Equal Annual Instalments of Principal	Depreciation
Aspects of MRP charges	CFR excludes element attributable to Unsupported Capital Expenditure		EIP commences when asset operational	Depreciation MRP commences when asset operational
			Freehold land 50 years.	Depreciation MRP ceases when CFR component is £Nil
			Freehold land with structure >50 years	Depreciation MRP not adjusted for capital receipt
			Capitalisation periods	Depreciation MRP based on proportion of asset financed from "borrowing".
			PFI/Operating Leases brought on Balance Sheet under IFRS	

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