



CHEL TENHAM

BOROUGH COUNCIL

Notice of a meeting of Cabinet

Tuesday, 13 December 2011
6.00 pm

Municipal Offices, Promenade, Cheltenham, GL50 9SA

Membership	
Councillors:	Steve Jordan, John Rawson, Klara Sudbury, Andrew McKinlay, John Webster, Roger Whyborn and Colin Hay

Agenda

1.	APOLOGIES	
	SECTION 1 : PROCEDURAL MATTERS	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF THE LAST MEETING To approve the minutes of the meeting held on 15 November. The minutes of the meeting held on 6 December will be approved at the next Cabinet meeting to be held on 17 January 2012.	(Pages 1 - 6)
4.	PUBLIC QUESTIONS AND PETITIONS	
	SECTION 2 :THE COUNCIL <i>There are no matters referred to the Cabinet by the Council on this occasion</i>	
	SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEES <i>There are no matters referred to the Cabinet by Scrutiny Committees on this occasion</i>	
	SECTION 4 : OTHER COMMITTEES <i>There are no matters referred to the Cabinet by other Committees on this occasion</i>	
	SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS	
	SECTION 6 : BRIEFING SESSION	

		<ul style="list-style-type: none"> • Leader and Cabinet Members 	
5.		LEISURE AND CULTURE REVIEW CONSULTATION Report of the Cabinet Member Sport and Culture	(Pages 7 - 14)
6.		QUARTERLY BUDGET MONITORING REPORT 2011/12 - POSITION AS AT NOVEMBER 2011 Report of the Cabinet Member Finance and Community Development	(Pages 15 - 30)
7.		GENERAL FUND REVENUE AND CAPITAL REVISED BUDGET 2011/12 AND INTERIM BUDGET PROPOSALS 2012/13 FOR CONSULTATION Report of the Cabinet Member Finance and Community Development	(Pages 31 - 52)
8.		HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL REVISED BUDGET 2011/12 AND INTERIM BUDGET PROPOSALS 2012/13 FOR CONSULTATION Report of the Cabinet Member Finance and Community Development-	(Pages 53 - 70)
9.		NOMINATIONS TO OUTSIDE BODIES-HILLVIEW COMMUNITY ASSOCIATION Report to follow	
10.		BRIEFING FROM CABINET MEMBERS	
		SECTION 7 : DECISIONS OF CABINET MEMBERS AND OFFICERS Member decisions taken since the last Cabinet meeting	
		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	
11.		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)	
12.		LEASE OF 30 ST GEORGES PLACE-RENT REVIEW- REQUEST FOR RENT SUBSIDY FROM VISION 21 GLOUCESTERSHIRE Report of the Cabinet Member Built Environment	(Pages 71 - 80)
13.		EXEMPT MINUTES OF THE MEETING HELD ON 15 NOVEMBER 2011 To approve the exempt minutes of the meeting held on 15 November	(Pages 81 - 84)

Contact Officer: Rosalind Reeves, Democratic Services Manager, 01242 774937

Email: democratic.services@cheltenham.gov.uk

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Cabinet

Tuesday, 15th November, 2011

6.00 - 7.15 pm

Attendees	
Councillors:	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

There were no apologies.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE LAST MEETING

The minutes of the meetings held on 13 October and 18 October were approved and signed as a correct record.

The Leader of the Council informed Members that the item on the agenda under Section 3-Public Art Review recommendations from Social and Community Overview and Scrutiny Committee would now be taken at the December meeting of Cabinet.

4. PUBLIC QUESTIONS AND PETITIONS

There were no public questions or petitions.

5. JOINT WASTE COMMITTEE

The Cabinet Member Sustainability introduced the report as circulated with the agenda which proposed the formation of a Gloucestershire Joint Waste Committee (GJWC).

The report outlined the proposal to coordinate and run waste services countywide. Two of the districts (Gloucester City and Stroud) felt they could not consider this approach at this time due to their existing contractual arrangements. He explained that the general principle behind the creation of the GJWC was to coordinate collection and disposal aspects of waste, create economies of scale through management savings and ultimately combine rounds, vehicles and equipment.

The proposals offered considerable cost savings for CBC at £200k over a 5 year period which was in addition to the savings forecast for the creation of Ubico, the local authority company with Cotswold District Council.

The Cabinet Member highlighted that a number of powers would be reserved to CBC, including the budget and the design of the service.

The Cabinet Member highlighted that the main risk was that all the participating authorities needed to come together to form the business case and to this end he proposed an amendment to resolution e) of the report which read as follows :

“the above recommendations (a) to (d) will not take effect until all the participating authorities referred to in section 1.2 of this report have passed resolutions equivalent to recommendations (a) to (d) and if any one participating authority does not pass such resolutions then the revised financial model shall be reviewed by Cabinet”

Members supported the proposed amendment agreeing it was right to include provisos.

The Cabinet Member Sustainability also proposed an amendment to paragraph a) of the resolution to read as follows :

- a) accept the financial case set out in (section 5) of the report, subject to explicit costing of the collection costs per household being agreed by the Chief Executive in consultation with the Council Leader, Cabinet Member Sustainability and s151 Officer.

Members supported the amendment.

The Cabinet Member Corporate Services referred to paragraph 3.4 of the report and in particular bullet point three which stated that the support services of the GJWC may be reviewed in the future, which included the use of GO or One Legal. He suggested that this be strengthened so that these two support services were considered for inclusion from the start. This was supported by the Cabinet Member Sustainability and agreed by other Cabinet Members.

RESOLVED that:

- (a) the Financial case set out in (section 5) of the report be accepted, subject to explicit costing of the collection costs per household being agreed by the Chief Executive in consultation with the Council Leader, Cabinet Member Sustainability and s151 Officer;**
- (b) the establishment of the Gloucestershire Joint Waste Committee (GJWC) in accordance with Sections 101 and 102 of the Local Government Act 1972, and the Local Authorities (Arrangement for the Discharge of Functions)(England)(Amendment) Regulations 2001 made under Section 20 of the Local Government Act 2000 be agreed;**
- (c) authority be delegated to the Chief Executive in consultation with the Cabinet Member Sustainability, s151 Officer and the Borough Solicitor to finalise and complete the Inter Authority**

Agreement (including the Constitution), including but not limited to the delegation arrangement for enforcement, the year one Business Plan and other documentation and to take all necessary steps to create the GWJC by April 2012;

- (d) the existing Shadow Joint Waste Board and Programme Board arrangements will persist until the end of March 2012 to oversee this process.**
- (e) the above recommendations (a) to (d) will not take effect until all the participating authorities referred to in section 1.2 of this report have passed resolutions equivalent to recommendations (a) to (d) and if any one participating authority does not pass such resolutions then the revised financial model shall be reviewed by Cabinet.**

Upon the establishment of the GJWC:

- (f) the delegation to the GJWC of this Council's functions in relation to the collection, management, disposal treatment, or recycling of waste and street cleansing described in detail in paragraph 4.1 of this report but subject to the retained decisions as set out in paragraph 4.2 of this report be authorised;**
- (g) Gloucestershire County Council be appointed as Administering Authority to undertake the role set out in 3.4 of the report;**
- (h) Cllr Roger Whyborn and Cllr Steve Jordan be appointed to the GJWC.**

6. ENHANCEMENT OF AUDIT PARTNERSHIP GOVERNANCE

The Cabinet Member Corporate Services introduced the report as circulated with the agenda. The Audit partnership was working well and was also highly regarded by the Council's external auditors.

He explained that all shared services required member input in their governance but felt that internal audit was quite different. Audit Committee maintained a close relationship with internal audit and any issues they had were addressed in that forum. The Cabinet Member also had the opportunity to raise issues directly with the Audit Partnership Manager. In his view the Cabinet Member did not at this time regard it necessary for member input, although this should of course be kept under review.

The Leader added that the Audit Partnership was an example of a shared service working to best effect.

RESOLVED that:

- (a) Cheltenham Borough Council's Internal Audit services be delegated to Cotswold District Council (including the transfer of staff under TUPE) as set out in this report in accordance with S101 Local Government Act 1972 and s19 and s20 Local Government Act 2000 from 1st April 2012
- (b) authority be delegated to the Director of Resources (s151 Officer) in consultation with the Chief Executive and Cabinet Member for Corporate Services to enter into the agreement under s101 Local Government Act 1972 and s19 and s20 Local Government Act 2000 with Cotswold District Council and West Oxfordshire District Council in respect of Internal Audit services as set out in this report, on terms approved by the Borough Solicitor, subject to all Internal Audit partner councils entering into similar relevant agreements at the same juncture.
- (c) the Audit Committee, through its existing role in terms of monitoring the effectiveness of Internal Audit, will suffice as the elected member input to the partnership governance.
- (d) member input to the partnership governance.

7. NOMINATIONS TO OUTSIDE BODIES

The Leader of the Council explained that further to the establishment of Ubico, the local authority company, at the special meeting of Cabinet on 13 October, there had been no objections from Group Leaders on the nomination of Councillor Colin Hay as the member observer to the Company. In addition a further vacancy had arisen on the Cleeve Common Board of Conservators as Lloyd Surgenor was stepping down from his duties. Councillor Thornton had been nominated to fulfil this role.

RESOLVED that :

1. Councillor Colin Hay be appointed as the member board observer on Ubico Limited.
2. Councillor Thornton be appointed as a committee member on Cleeve Common Board of Conservators.

8. BRIEFING FROM CABINET MEMBERS

The Cabinet Member Sustainability informed the meeting that he would be advising members on the situation with regard to Pittville Bridge at the forthcoming meeting of Environment Overview and Scrutiny Committee.

The Cabinet Member Sport and Culture referred to his attendance as a guest at the first European Martial Arts Games which was held at Leisure@ in October. He wished the GB athletes present at that meeting every success in next year's Olympic Games.

The Cabinet Member Housing and Safety reminded members that a second bidding round had commenced for the remaining £13 000 in the Positive Activities for young people fund. She urged members to inform community groups in their wards of this opportunity. Any further information could be obtained from the Policy and Partnerships Manager.

The Leader of the Council informed members that the next Joint Core Strategy Member Steering Group would take place next Thursday and members were encouraged to submit any questions they had further to last week's Council meeting.

9. LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS

The Cabinet was recommended to approve the resolution as set out on the agenda.

RESOLVED

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 paragraphs 3 and 5, 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 5; Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

10. DISPOSAL OF LAND

The Cabinet Member Built Environment introduced the report which set out the background to the proposed disposal of land at Fiddlers Green Lane. Members considered the report and decided to authorise the Head of Property & Asset Management to remarket the land.

11. EXEMPT MINUTES

The exempt minutes of the meeting held on 18 October were approved and signed as a correct record.

Chairman

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Cheltenham Borough Council

Cabinet – 13 December 2011

Leisure and Culture Commissioning Review

Accountable member	Councillor Andrew McKinlay, Cabinet Member for Sport and Culture
Accountable officer	Pat Pratley, Executive Director
Accountable scrutiny committee	Social and Community
Ward(s) affected	All
Key Decision	No
Executive summary	<p>The Leisure and Culture Commissioning Review has been undertaking consultation with key stakeholders as recommended in a report to Cabinet earlier this year. The purpose of the consultation was to (a) provide an update on the review to date; (b) outline the priorities for further work, namely a review of the most appropriate service delivery arrangement for the re-developed Art Gallery and Museum; and (c) carry out consultation on the outcomes identified by the review team for the areas within scope.</p> <p>Phase 1 consultation took place in September. As outlined in the briefing note to Cabinet in November an overwhelming request was made by delegates for a further phase of consultation and that consultation to be of a more generic nature to allow for wider creative and cross-cutting thinking. The Phase 2 consultation which took place on 21 November was developed in response to that request.</p>
Recommendations	1. Cabinet approve the outcomes for the Leisure and Culture Review as outlined in Section 6 of this report.

Financial implications	<p>No direct financial implications arising from the content of this report.</p> <p>Contact officer: Paul.Jones@cheltenham.gov.uk, 01242 775154</p>
Legal implications	<p>No direct legal implications arising from the content of this report</p> <p>Contact officer: Shirin Wotherspoon;shirin.wotherspoon@tewkesbury.gov.uk, 01684 272017</p>
HR implications (including learning and organisational development)	<p>No direct HR implications from the content of this report.</p> <p>Contact officer: Julie McCarthy; Julie.Mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	A risk assessment is included at Appendix 1

<p>Corporate and community plan Implications</p>	<p>The Leisure and Culture Commissioning Review will lead to a set of new outcomes for the Council (and partners) to pursue to support the following corporate priorities:</p> <ul style="list-style-type: none"> • People are able to lead healthy lifestyles • Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment • We attract more visitors and investors to Cheltenham
<p>Environmental and climate change implications</p>	<p>The council is developing its commissioning toolkit. As reported in July an assessment of the in-house provider's ability to deliver to a set of outcomes had been undertaken. Part of that assessment included a review of the ability to contribute to the Council's strategic objectives which include the objective of enhancing and protecting our environment.</p> <p>In the event of a procurement exercise taking place following the option appraisal for the Art Gallery and Museum environmental and climate change implications will be built into any specification which may be issued to the market for a response.</p>

1. Background

- 1.1 On 15 November 2011, Cabinet received a briefing note outlining the Phase 2 consultation approach for the Leisure and Culture Commissioning Review with a promise to bring any proposals for revised outcomes back to Cabinet for approval.

2. Reasons for Recommendations

- 2.1 The outcomes recommended in this report will form an important element of the options appraisal work to determine the most appropriate service delivery arrangement for the re-developed Art Gallery and Museum. The outcomes will also form part of the Council's 2012-13 corporate plan.

3. Phase 2 Consultation Event

- 3.1 A workshop was held on 21 November 2011 at which 34 stakeholders from across the leisure, culture and arts sector took part. The workshop was independently chaired by Jon Finch, Director of Engagement (West) for the Museums, Libraries and Archives (MLA).
- 3.2 As previously reported, Members may recall that there was overwhelming support for further consultation following the Phase 1 events but also a request to be allowed to focus on the "what might be different" with some inspirational case studies.
- 3.3 Feedback from the first event also highlighted the fact that the segmentation of the consultation into service specific workshops was seen by a number of delegates as inhibiting wider creative and cross-cutting thinking. The Phase 2 event was a workshop which covered the entire scope of the leisure and culture commissioning review.

4. Workshop Objectives and Content

- 4.1 Workshop objectives were to: (a) respond to the "what might be different" question through invited speakers giving their experiences of leisure and culture re-purposing/regeneration; (b) reshaping/revising the draft outcomes; (c) creating a better understanding of the shared ambition for the re-developed Art Gallery and Museum and the concept of a cultural quarter.
- 4.2 The Council was fortunate to secure two external speakers. Nina Dawes (OBE), Chief Executive of Lichfield District Council, gave the key note address. Nina used the story of the Staffordshire Hoard to demonstrate how, through partnerships, Lichfield is re-positioning itself for the benefit of the whole economy and community. Julie Finch, Head of Museums and Archive at Bristol City Council used the story of Mshed, Bristol's £27M city history museum, to demonstrate what is

possible through capital investment in cultural facilities to support regeneration and how this can be used as a catalyst to “discover the rest of Bristol”.

- 4.3 As well as providing feedback on outcomes (section 6), the main focus for delegates was the sharing of views and ideas on what should be the ambition for the re-developed Art Gallery and Museum, an option appraisal of alternative delivery arrangements having been identified as the key priority for the commissioning review.

5. Key Messages

- 5.1 Delegates were genuinely interested and enthused to be able to participate in the event and the general feeling was one of a productive session where people had an opportunity to speak. The more generic nature of the event allowed for more creative thinking and addressed the concerns regarding segmentation of the first event.
- 5.2 In relation to the work of the review, there was a widely held recognition of the need/desire to secure a sustainable future for the services in the context of decreasing public funding. In relation to culture in particular there was a request that artistic and cultural excellence should be key to the identity of Cheltenham as a cultural destination.
- 5.3 Regarding the AG&M in particular, there was strong support for a greater and shared understanding of the ambitions for the re-developed museum; in particular as a centre of excellence. This chimes with the ethos of the re-developed museum in terms of its role as the custodian of a nationally designated collection, as well as the partnerships the museum service has already forged with Gloucestershire University and the Gloucestershire Guild of Craftsmen.
- 5.4 What did emerge also through the discussion was a request, through effective partnership and collaboration, to develop a clear identity for Cheltenham, as a place, with a broad cultural offer in which the AG&M would be positioned in the future.
- 5.5 Finally, delegates also welcomed the key message that the commissioning review was about three things; what we do now; what we want to do; and how we do it in the future. In response to the final point, there was an understanding and acknowledgement that in commissioning services in the future there was a need to find the best means of governance to achieve our ambitions.

6. Outcomes

- 6.1 One of the objectives of this first phase of the commissioning review is to develop a set of outcomes that defines what it is we want to achieve with the four service areas and their associated buildings. Using the feedback from the consultation event, a revised set of outcomes have been prepared and these are set out below:

6.2 Town Hall and Pittville Pump Room

The primary outcome has been amended significantly. The outcome originally set out in the July Cabinet report talked about the service being delivered with minimal call on Council funding. Following listening to stakeholders in both consultation exercises, the outcome has been amended to be both more aspirational and to talk about the return that the council gets from its investment.

Revised primary outcome
The Town Hall and Pittville Pump Room aspire to be first class venues that inspire people through hosting a wide range of entertainment, events and festivals.
Revised secondary outcomes
<ul style="list-style-type: none"> • Grow and develop existing audiences and visitors that use the Town Hall and Pittville Pump Room and provide access to a diverse range of entertainments and activities. • The council generates the greatest return (financially, economically and socially) from its investment in the buildings. • Increase the number of people that enjoy new experiences whilst acquiring valuable skills and knowledge.

Art Gallery and Museum

The primary outcome has been amended significantly. The outcome originally set out in the July Cabinet report talked about people enjoying increased awareness of Cheltenham’s cultural heritage. Following listening to stakeholders in both consultation exercises, the outcome has been amended to be both more aspirational particularly in terms of the role of the redevelopment project acting as a catalyst for the regeneration of St. Mary’s and library sites and encouraging more learning and spiritual uses.

Revised primary outcome
Use the opportunity of the new art gallery and museum to create an arts, heritage, learning and spiritual experience that will inspire.
Revised secondary outcomes
<ul style="list-style-type: none"> • More diverse audiences are introduced to, and participate in heritage activities by specifically targeting six key audiences. • Increase visitor engagement, participation, learning and enjoyment. • More people are engaged in a range of voluntary activities. • Use the opportunity of the new art gallery and museum to act as a catalyst to develop the economic resilience of arts and crafts organisations through improved relationships and connections.
Heritage Lottery Fund outputs
<p>In overall terms the development will provide the following:</p> <ul style="list-style-type: none"> • Picture gallery; • Public archive and other study areas; • Flexible and temporary exhibition galleries; • Dedicated space for formal and informal learning; • Improved facilities for outreach, lifelong learning and arts development; • Improved (on-site) stores and workshop facilities; • Improved public access for visitors with mobility or other difficulties; A new integral pedestrian link – running between Clarence Street and Chester Walk – which will provide a ‘new gateway’ to Cheltenham’s oldest building, medieval St. Mary’s Church; • A new home for the town’s tourism services.

Leisure@ and Sports, Play and Healthy Lifestyles

Revised primary outcome
More people are inspired to be physically, socially and mentally active and are able to enjoy life to the full.
Revised secondary outcomes
<ul style="list-style-type: none"> • More people are supported to make the right lifestyle choices to manage their own health. • More people enjoy new experiences whilst learning valuable skills and knowledge. • More families are able to be together to enjoy a range of fun leisure activities. • More people have active and healthy lifestyles by participating in positive leisure activities that they are able to access at affordable prices with a particular focus on: <ul style="list-style-type: none"> • Older people; • Children and Young People; • Disabled people – both children and adults; • Black and minority ethnic groups; • People from lower socio-economic groups.

6.3 If Cabinet approve these outcomes, they will be used in the second phase of the commissioning review whereby our in-house Town Hall/Pittville Pump Room and Leisure@ and Sports, Play and Healthy Lifestyles service providers will be asked to deliver against them. As set out in the July Cabinet report, the priority for the review remains a consideration of the most appropriate organisational option that can deliver the proposed outcomes and measures of success for the Art Gallery and Museum whilst also meeting the requirements of the HLF special conditions and any other funders. The options for the Art Gallery and Museum will be used in the option appraisal

process.

6.4 The outcomes will also be used to inform the development of the 2012-13 corporate strategy.

7. Consultation and feedback

7.1 Further consultation will take place as part of the options evaluation process for the Art Gallery and Museum and will be scheduled for the new year.

7.2 Consultation with the Cabinet Member’s Working Group on the revised outcomes and on the results of the 21st November consultation event will take place at the group’s meeting on 5th December. Feedback will be reported verbally to Cabinet.

8. Performance management –monitoring and review

8.1 The Leisure and Culture Review is part of the council’s Strategic Commissioning programme and reports each month to its programme board. The council’s Senior Leadership Team, chaired by the Chief Executive, also receives and reviews a monthly status report.

8.2 The review is supported by a Cabinet Member Working Group; a cross party group of members which considers and questions the recommendations of the review team.

8.3 Formal scrutiny of the review is undertaken by the Social and Community Overview and Scrutiny Committee which receives regular updates from the Cabinet Member for Sport and Culture.

Report author	Contact officer: Pat Pratley, pat.pratley@cheltenham.gov.uk, 01242 775175
Appendices	Risk Assessment
Background information	<ul style="list-style-type: none"> 1. Cabinet Report, 11 July 2011 2. Cabinet Briefing Note, 15 November 2011

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the proposals arising from the review are unpopular there may be significant reputational damage to the council	Pat Pratley	15/09/2010	2	4	8	Reduce	<p>Cabinet report recommends engagement and communications approach with external stakeholders which acknowledges their role in shaping the review.</p> <p>Identify all stakeholders and execute engagement plan.</p> <p>Be clear about 'what's in it for all' when developing proposals</p>	<p>Complete</p> <p>Ongoing</p> <p>Ongoing</p>	Ken Dale	Yes
2	If the review is unable to engage fully or successfully with all stakeholders outside the council, opportunities may be missed, e.g. for gaining community support for outcomes and for a holistic understanding of provision across the town.	Pat Pratley	15/09/2010	4	3	12	Reduce	<p>Risk needs to be balanced against the risks of premature engagement. Risk accepted in stage 1.</p> <p>First phase of engagement with external stakeholders</p> <p>Ensure funding partners' e.g. HLF, expectations are met</p>	<p>Complete</p> <p>Ongoing</p>	<p>Richard Gibson</p> <p>Sonia Phillips</p>	Yes

3	If the objectives of members are not aligned with those of the officer team, then the potential benefits of the review may not be realised.	Pat Pratley	15/09/2010	4	2	8	Reduce	Regular contact maintained with the Cabinet Member at Project Board meetings. Cabinet Member Working Group now in place and will be used to test members views on desired outcomes Review will report to informal cabinet and Soc & Comm O&S	Ongoing Ongoing Ongoing	Pat Pratley / Sonia Phillips	Yes
4	If the needs analysis fails to accurately capture the needs of the whole community, this could result in the wrong outcomes being established, leading to the inappropriate commissioning of provision.	Richard Gibson	15/09/2010	4	2	8	Reduce	Needs analysis will be tested with members and, subsequently, more widely.	Ongoing	Richard Gibson	Yes
5	If the options appraisal for alternative service delivery models fails to accurately capture all costs, benefits and risks associated with each option, this could lead to the wrong model being selected and/or unexpected post-implementation costs.	Pat Pratley	15/09/2010	4	3	12	Reduce	Ensure no final decisions are taken before options appraisal is adequate. Ensure criteria for appraising options are complete and emphasise sustainability Assess whether external support is required for options	Ongoing January 2012 Complete	Ken Dale	Yes

								appraisal			
6	If there is insufficient internal capacity then target timescales set by the review may not be met.	Pat Pratley	21/06/2011	3	4	12	Reduce	<p>Preliminary assessment has identified potential resource shortfalls in Finance, HR, Procurement and in the Leisure and Culture teams themselves. These will be addressed through the council's corporate resource management process.</p> <p>Use external resource, funded by money already set aside by council.</p>	<p>Ongoing</p> <p>January 2012</p>	Ken Dale	Yes
7	If there is no overarching vision or identity for leisure and culture in Cheltenham, then provision may be disjointed and therefore fail to maximise benefit.	Pat Pratley	21/11/2011	3	4	12	Reduce	Consider how best to work with stakeholders to develop a vision or identity	January 2012	Pat Pratley	Yes

Cheltenham Borough Council

Cabinet – 13 December 2011

Budget Monitoring Report 2011/12 – position as at November 2011

Accountable member	Councillor John Webster, Cabinet Member for Finance and Community Development
Accountable officer	Paul Jones, Head of Financial Services
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's current financial position for 2011/12 based on the monitoring exercise at the end of November 2011. The report covers the Council's revenue, capital, treasury management and the housing revenue account. The report identifies any known significant variations (minimum £50,000) to the 2011/12 original budget and a position statement on major schemes.
Recommendations	<ol style="list-style-type: none"> 1. Note the contents of this report including the key projected variances to the original 2011/12 budget which have enabled the council to deliver a balanced revised budget. 2. The current freeze on spending against supplies and service expenditure budgets, where possible, is continued until further notice. This has been factored into the revised 2011/12 budget.
Financial implications	<p>As detailed throughout this report.</p> <p>Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 775154</p>
Legal implications	<p>None directly arising from the recommendations. The current legal position regarding Icelandic Banks is referred to in the report.</p> <p>Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695</p>

<p>HR implications (including learning and organisational development)</p>	<p>Service Managers and the HR Advisors are continuing to work together to ensure vacancies are managed effectively. A request to recruit to a new or vacant post must be approved by the divisional Director. The decision to approve or reject the recruitment request is based on the business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied.</p> <p>Contact officer: Julie McCarthy , julie.mccarthy @cheltenham.gov.uk, 01242 264355</p>
<p>Key risks</p>	<p>As outlined in Appendix 1.</p>
<p>Corporate and community plan Implications</p>	<p>Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.</p>
<p>Environmental and climate change implications</p>	<p>None.</p>

1. Background

- 1.1 This report provides the third monitoring position statement for the financial year 2011/12. The purpose of this report is to notify members of any known significant variations to budgets for 2011/12 and highlight any key issues, allowing Members to take action if required. This report has been used to construct the revised budgets for 2011/12, included within the separate report on the interim budget proposals for 2012/13.
- 1.2 The previous budget monitoring report to the end of August 2011 projected an overspend for the year of £476,400. As a result of that projection, officers have been instructed to reduce spend on supplies and services to essentials for the remainder of the financial year.
- 1.3 It is therefore pleasing to report that these measures have enabled the council to address the potential in year budget deficit and deliver a balanced budget which does not require a contribution from general balances.

2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified on the overall 2011/12 revised budget position. A detailed explanation of budget variances in excess of £50,000 are provided in paragraphs 2.2 to 3.8.

Significant budget variances (> £10,000)	Overspend / (Underspend) £	para. ref:
Net reduction in employee costs	(224,950)	2.2 – 2.6
Net increase in service costs	101,150	2.7 – 2.10
Net increase in income	412,500	2.11– 2.25
Net saving in Minimum Revenue Position (MRP) / leasing	(364,100)	2.26 – 2.29
Net reduction in investment income	75,400	3.4 - 3.8
Total projected variance to original budget	-	

2.2 Employee costs 2011/12

There is a projected net saving in employee costs of £224,950 for 2011/12. This has been incorporated into the revised 2011/12 budget and includes the following variances to the original budget:

- 2.3 The 2011/12 original budget included a target of £480,000 from salary savings to be made throughout the council from vacant posts arising during the year. An assessment of vacant posts (i.e. staff turnover) in the first seven months of the year indicate that this budget saving is likely to be exceeded by £85,350 in 2011/12. This includes £69,600 anticipated savings to be generated in the remainder of the financial year.
- 2.4 There is a saving of £59,900 in respect of a budget allocation to fund the early retirement costs of a former employee made redundant in 2010/11 where a change to the pension rules meant this contribution to the superannuation fund was not required.
- 2.5 The Bridging the Gap programme savings identified from a restructure of the front-office service provided to Revenues and Benefits by Customer Services has been put in place from 1st April 2011, a year prior to the 2012/13 planned saving. As a result £51,400 of savings (net of decommissioning costs) has been delivered in 2011/12 and is built into revised budgets.

- 2.6** There is a forecast saving in employee costs at leisure@ of £28,300 as a result of restructures undertaken during the year within the operations team. These savings have been built into the revised budget and the 2012/13 base budget.
- 2.7 Net reduction in service costs / operational expenditure**
There is an expected net reduction in service expenditure of £101,150 for 2011/12. This has been incorporated into the revised 2011/12 budget and includes the following main variances to the original budget:
- 2.8 Fuel costs**
There is a projected increase in fuel related costs of £77,400 for 2011/12. This is primarily due to the Refuse Collection and Dry Recycling services which have experienced additional costs following the reorganisation of services in the Spring of 2011.
- 2.9 Utilities**
There is a net saving in gas and electricity budgets for 2011/12 of £55,100 as a result of a six month contract extension negotiated up to April 2012. The gas extension prices are around 13% cheaper than the existing contract and it is anticipated that optimum prices will be achievable when the contract is re-tendered in April 2012, maintaining savings in 2012/13.
- 2.10 NNDR**
There is an increase in NNDR budgets of £86,100 for the year due to the rateable values increasing mainly on Regent Arcade car park and the Crematorium. Consideration is being made to appeal against the rateable values set by the valuation office on some of the council's buildings and an update will be provided to members later on in the financial year if the appeals are successful.
- 2.11 Net reduction in income**
There is an expected net reduction in income of £412,500 for 2011/12. This has been incorporated into the revised 2011/12 budget and includes the main variations to the original budget:
- 2.12 Off-street Car Parking Income**
The current projections show that off-street parking revenue continues to fall, Cheltenham is not alone on this front, as national indicators show a general fall in local authority off-street parking and fine revenues. Prices were not increased in 2011/12 however, off-street car parking income has been further impacted by the introduction of new parking zones by Gloucestershire County Council. This has had an effect on customer choice as there is more opportunity to park closer to their destination using on-street spaces at a competitive rate.
- 2.13** The projected income position for off-street car parking for 2011/12 is a shortfall of £80,000, which equates to around 2.11% of the target. A corresponding shortfall in fine income is also being generated, with income projected to be £20,000 down against the original budget. This equates to around 30.7% of target demonstrating a marked drop in fine income. This reduction in income has been incorporated into the revised 2011/12 budget.
- 2.14 Cemetery & Crematorium income**
There is a projected shortfall in cemetery and crematorium income of £81,200 for 2011/12. This is due to a shortfall in cremation and burial numbers. Demographic statistics indicate that a decline in the mortality rate is resulting in reduced annual deaths per 1,000 population.

2.15 Planning Fee Income

This income stream was showing a positive variance of £50,000 at the end of October. On current trends, this could result in a full year income surplus of up to £80,000. This position is somewhat surprising in view of prevailing economic conditions and a downturn in the current trend cannot be ruled out.

2.16 Building Control fees

There is a projected shortfall in the building control income figures of £66,900 income figures for 2011/12. Limited growth and available finance has impacted significantly on the local construction industry. The overall result appears to be that although the same number of applications are received the income from those applications has reduced. Domestic works are generally smaller in size than they were two or three years ago.

2.17 A Planning application usually precedes a Building Regulation application and so the fact that income for the Planning team is currently quite good suggests that when money is more freely available there may be a return to more acceptable levels of income for the Building Control Service.

2.18 GCC schools contract income

There is a projected surplus in the Gloucestershire County Council schools contract of £47,100 for 2011/12. This is represented by additional income generated of £11,600, savings on employee costs of £15,500 (which are reported on globally in Table 2.1 above) and on savings on transport costs of £20,000 (see paragraph 2.26 below).

2.19 Recycling

There is a projected net over recovery of income on recycling activities of £158,800 in 2011/12. This is due to higher than anticipated tonnages processed and higher than anticipated recycle prices.

2.20 Garden Waste Scheme

It is anticipated that there could be a projected shortfall in income of £306,000 in 2011/12, which represents an anticipated sale of 11,500 Garden waste bins based on current sales data. However, a promotional campaign and operational reorganisation is underway to address this position. The anticipated savings on employee costs of £42,000 are incorporated in the global employee cost figure in Table 2.1 above. Savings on Transport costs of £78,000 are anticipated for 2011/12. The net over spend on this cost centre is therefore anticipated to be £186,000 at the year end. This has been incorporated into the revised 2011/12 budget.

2.21 Refuse collection – Trade Waste

There is a projected shortfall in income of £108,200 for 2011/12 due to a reduction in Trade Waste income which can be attributed to the current economic conditions. This has been incorporated into the revised 2011/12 budgets.

2.22 Town Hall and Pump Room income

There is a projected shortfall in net income at the Town Hall and Pump Rooms entertainments venues of £49,700 for the year due to the current economic climate. Local businesses that have previously booked the venues for away days, Annual General Meetings and Christmas parties are now looking at cheaper options or cancelling events now deemed inappropriate when making redundancies within their organisation. There is also a decline in weddings being held this year and a lack of private hire during the recession.

2.23 There is a projected increase of income of £10,000 in 2011/12 through the introduction of a transaction fee with the new box office system. The Entertainments team is currently undertaking work to increase future hall hire income through the promotion of the venues, a new wedding license for the Town Hall and enhanced facilities at the Pump Rooms.

- 2.24** Through prudent management of salaries and wages there is a projected underspend of £39,700 for employee costs which should reduce the shortfall in income targets. This has been used towards the achievement of the central budget for salary savings included in paragraph 2.3 above.
- 2.25** It is therefore anticipated that the overall Entertainments service will be in line with original budgets for 2011/12.
- 2.26 MRP / Leasing costs**
There is a one-off net saving of £364,100 in 2011/12 in respect of MRP and leasing costs, as follows:
- 2.27** The adoption of International Financial Reporting Standards (IFRS) necessitated the need to review all council leases to determine whether they should be classified as operational or finance leases. The review 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.
- 2.28** As a consequence of the above, officers 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. Council, at its meeting on the 11th February 2011, agreed to fund the replacement of vehicles and recycling bins through prudential borrowing where it was deemed appropriate.
- 2.29** The decision to fund the replacement of vehicles and recycling bins through prudential borrowing has resulted in a one-off saving of £364k in leasing costs. This is due to the accounting entries surrounding the financing of assets from prudential borrowing in so much that they equate to the depreciation charge levied on that asset. The depreciation policy for CBC is that newly acquired assets are depreciated from the year following that in which they are acquired. Consequently the financing costs via Minimum Revenue Provision (MRP) are also deferred by one year which results in a one-off saving.

3. Treasury Management

3.1 Icelandic

3.2 Recently the Icelandic Supreme Court has upheld the District Court decision that the test cases involving Local Authority deposits with Landsbanki and Glitnir banks as having priority creditor status. This means that local authority deposits will be at the front of the queue when the Winding Up Boards (WUB's) of the two banks start to make the repayments. Although we are still awaiting ratification from the court involving our case, it is expected that we will receive back 98% of the Landsbanki deposits and 100% of the Glitnir deposits.

3.3 The council to date has received 63p in the pound for deposits held with Kaupthing Singer & Friedlander. The administrators currently estimate that total distributions should be in the range of 79p to 86p in the pound.

3.4 Treasury Management

3.5 There is a predicted shortfall of interest of £75,400 to report on Treasury Management within the General Fund for 2011/12. The 2011/12 revised budget will now be adjusted to reflect these likely outcomes.

3.6 The cost of borrowing is expected to be £4,100 adverse to the original 2011/12 budget as the average rate on temporary borrowing to meet temporary cash flow is expected to be 0.40% against a forecast of 0.38% for the year.

- 3.7** Security of capital has remained the Council's main investment objective. Since the last report in August 2011 the council has suspended a number of UK banks from its lending list as banks have had their credit rating downgraded below the Council's minimum criteria of A+ or equivalent in October 2011. The Council's strategy is now to repay temporary debt with maturing investments. This will assist in keeping borrowing costs down but investment income is forecast to be £3,800 adverse to the Original 2011/12 budget.
- 3.8** The calculation for the HRA Item 8 Debit last February estimated the consolidated rate of interest to be 3.08% on all borrowing for this financial year. However due to the council's weighted average borrowing estimated to be lower than the Capital Financing Requirement (CFR), which is a measure of the authorities underlying need to borrow for capital purposes, a different formula is required to calculate the HRA Item 8 Debit than what was used previously. This has reduced the consolidated rate of interest to around 2.80%. This could result in £48,200 less interest being payable by the HRA to the General Fund for 2011/12. Also HRA revenue balances are expected to be higher than first estimated in February 2011 due to slippage in capital expenditure. This will result in a further £19,300 being paid to the HRA for investment income.

4. Capital expenditure

- 4.1** Significant variances to the 2011/12 original capital budgets are as reported in the previous budget monitoring report. Although it is likely that the timing of payments for the replacement of the cremators will see around £131k of the £655k budget paid at the beginning of 2012/13. These revisions are reflected in the revised capital programme for 2011/12 which is included within the separate report on the interim budget proposals for 2012/13.

5. Programme maintenance expenditure

- 5.1** All the work that has been planned for completion in 2011/12 remains as scheduled, except resurfacing work to the running track at the Prince of Wales Stadium which has been deferred to 2012/13. The revised programme maintenance budgets include some additional works that have been identified in year as required. These are included in the separate report on the interim budget proposals for 2012/13 and will be scrutinised by the Asset Management Working Group.

6. Housing Revenue Account (HRA)

- 6.1** The HRA budget for 2011/12, approved in February 2011, estimated a deficit of £1,092,300 for the year resulting in a balance of £1,896,700 to be carried forward in revenue reserves at 31st March 2012.
- 6.2** The outturn position for 2010/11 showed an increase in all reserves at 31st March 2011 of £965,300 primarily resulting from delays to projects within the capital programme.
- 6.3** Variations identified in the year to date are:-

Changes to the calculation of interest payable by the HRA will reduce the charge in 2011/12 by £48,200 compared to the original estimate. In addition higher revenue balances held in the HRA will increase interest receivable by £19,300.

Revenue contributions to capital expenditure will reduce by £120,100 to £1,467,000 following changes to the capital programme detailed below.

These variations will reduce the deficit for the year to £904,700 and increase revenue reserves held at 31st March 2012 to £2,768,500.

HRA Capital Programme

- 6.4 Following slippage in 2010/11 budgets for the transformational improvements in St Pauls and neighbourhood works at Scott and Edward Wilson House were transferred to the current year (total £772,000)
- 6.5 The transformational improvements are now expected to complete in the early part of 2012/13 with £290,000 being transferred to next year. The neighbourhood works scheme at Hobart House will also transfer to 2012/13 to allow time for a more effective procurement process.
- 6.6 These changes will produce a net increase of £161,000 in 2011/12 expenditure giving a revised net total of £4,989,000 (original estimate £4,828,000).

7. Council tax and Business rates collection

- 7.1 The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 2. This shows the position at the end of October 2011 and the projected outturn for 2011/12.

8. Sundry debt collection

- 8.1 In preparation for the GO shared service and the implementation of the council's new financial management system, additional resource within the Debtors function has been utilised to review the council's outstanding debt. A fresh emphasis has been placed on debt recovery and new procedures have been put in place that allow for more active monitoring of debts and closer communication with debtors and service departments.
- 8.2 The impact of these changes has seen the % of current year invoices outstanding over one month drop from 12% at the end of August 2011 to 3.7% at the end of October. It is hoped this level of recovery will continue, if not be improved upon. The team have been retargeting their efforts over the last two months to reduce the level of outstanding "old" year debt. Their efforts have resulted in 12% of outstanding invoices being paid, which equates to 35% of the total value of 2010/11 debts outstanding at 31st August 2011.
- 8.3 The team has an aspiration to only migrate onto the new financial management system "good" collectable debts, and so extra effort is being made to "tidy up" the debts outstanding in preparation for this transfer.

9. Conclusion

- 9.1 The net effect on the general fund of the variances reported above is neutral and it is encouraging to report that the immediate response to the last monitoring report by Cabinet and SLT and the actions put in place result in the council still being on track to deliver services within budget.
- 9.2 The continued impact of the economic recession and the uncertainty in the banking system present particular concerns for the council's budgets. It is clearly important to ensure that budgets continue to be monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the council delivers services within budget.

10. Consultation

10.1 The work undertaken to produce this report has involved consultation with a wide number of services and cost centre managers.

Report author	Contact officer: Sarah Didcote, Group Accountant sarah.didcote@cheltenham.gov.uk, 01242 264125
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Council Tax and NNDR collection 3. Sundry Debt collection
Background information	<ol style="list-style-type: none"> 1. Section 25 Report – Council 8th February 2011 2. Final Budget Proposals for 2011/12 – Council 8th February 2011 3. Budget Monitoring Report to August 2011 – Cabinet 18th October 2011

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.	Unable to take corrective action in respect of reduced income streams.	Cabinet	June 2010	3	6	18	Reduce	In preparing the revised budget for 2011/12, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	December 2011	SLT	Corporate Risk Register
2.	Requirement to fund projected overspend from General Balances would result in General Balances falling below the minimum range of £1.5m to £2m set by the Chief Finance Officer.	Cabinet	June 2010	3	2	6	Reduce	In preparing the revised budget for 2011/12 a balanced budget has been delivered, which does not require a contribution from general balances.	December 2011	Chief Finance Officer	Corporate Risk Register

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Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on

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Council Tax and Business Rates Collection Rates 2011 - 2012

Business Rates 2011/2012

Current Year Charges - 2011/2012			
Period	% Collected As at 31.10.11	October 2011 Target As at 31.10.11	2011/2012 Target As at 31.03.12
	73.14%	73.00%	98.80%
Comparison with 2010/2011	As at 31.10.10		% Collected 31.03.11
	72.98%		98.71%
			Revised 2011/2012 Target As at 31.03.12
			N/A
			Top Quartile
			N/A

The current year collection rate is higher than the target for the end of October and higher than at the same time last year. This is a good achievement in the current economic climate and although the position can fluctuate through the year we are optimistic that we can achieve the year end target of 98.80%

Previous Years Charges Outstanding in Current Year (2011/2012)

Period	Previous Year Debts Outstanding As at 31.10.11	October 2011 Target As at 31.10.11	2011/2012 Target As at 31.03.12
	£381,087	£410,000	£260,000
Comparison with 2010/2011	As at 31.10.10		Amount o/s 31.03.11
	£439,402		£282,559
			Revised 2011/2012 Target As at 31.03.12
			N/A
			Top Quartile
			N/A

The arrears outstanding are less than the target and less than at the same time last year. We are monitoring the position closely and working with any businesses having difficulty in paying but at the moment we are optimistic that we can achieve the year end target of £260,000.

Council Tax 2011/2012

Current Year Charges - 2011/2012			
Period	% Collected As at 31.10.11	October 2011 Target As at 31.10.11	2011/2012 Target As at 31.03.12
	67.19%	67.15%	98.21%
Comparison with 2010/2010	As at 31.10.10		% Collected 31.03.11
	67.12%		98.19%
			Revised 2011/2012 Target As at 31.03.12
			N/A
			Top Quartile
			N/A

The current year collection rate is slightly higher than the target and higher than at the same time last year. This is a good achievement in the current economic climate. We are continuing to monitor collection levels and are working closely with tax payers having difficulty in paying but we are optimistic that we will achieve our year end target which is 98.21%

Previous Years Charges Outstanding in Current Year (2011/2012)

Period	Previous Year Debts Outstanding As at 31.10.11	October 2011 Target As at 31.10.11	2011/2012 Target As at 31.03.12
	£1,078,772	£1,050,000	£755,000
Comparison with 2010/2010	As at 31.10.10		Amount o/s 31.03.11
	£1,028,959		£751,099
			Revised 2011/2012 Target As at 31.03.12
			N/A
			Top Quartile
			N/A

The arrears are slightly higher than the target and also higher than at the same time last year. Again, we are monitoring the position closely and are working with council tax payers who are struggling to pay, but at the moment remain optimistic that we can achieve the year end target of £755,000.

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Sundry Debtor Invoices Outstanding 2011-12

APPENDIX 3

Sundry Debt 2011/12

Current Year Invoices - 2011/2012									
	Current Year Invoices Raised		Current Year Invoices Outstanding	Invoices outstanding more than a month (Exc Instalment Invoices)	% of invoices outstanding more than one month	Target	Comments		
Period	As at 31.10.11	As at 31.10.11	As at 31.10.11	As at 31.10.11	As at 31.10.11	As at 31.10.11			
General Fund Invoices	5,937	£5,847,257	1,777	£1,494,805	65	£130,389	3.7%	Less than 15%	Performance has improved from 12% at the end of August 2011.
HRA Invoices	1,272	£275,898	439	£134,270	301	£95,213	68.5%	Less than 50%	Work is ongoing to try to reduce the number of invoices outstanding for more than one month.

Previous Year Invoices Outstanding in 2011/12					
	Previous Year Invoices Outstanding	October 2011 Target	2011/2012 Yearend Target	Comments	
Period	As at 31.10.11	As at 31.10.11	As at 31.10.11		
General Fund Invoices	171	£163,195	£200,000	£60,000	The team are on track to achieve the year end target.
HRA Invoices	1,052	£272,938	£250,000	£170,000	Additional work is needed to target o/s old year debts within the HRA.

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Cheltenham Borough Council

Cabinet – 13th December 2011

General Fund Revenue and Capital - Revised Budget 2011/12 and Interim Budget Proposals 2012/13 for Consultation

Accountable member	Cabinet Member for Community Development and Finance, John Webster
Accountable officer	Director of Resources (Section 151 Officer), Mark Sheldon
Accountable scrutiny committee	All scrutiny committees
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the revised budget for 2011/12 and the Cabinet's interim budget proposals for 2012/13 for consultation.
Recommendations	<ol style="list-style-type: none"> 1. Note the revised budget for 2011/12. 2. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £187.12 for the year 2012/13 (a 0% increase based on a Band D property). 3. Approve the growth proposals, including one off initiatives at Appendix 3. 4. Approve the proposed capital programme at Appendix 6, as outlined in Section 9. 5. Delegate authority to the Director Resources, in consultation with the Cabinet Member for Community Development and Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation. 6. Seek consultation responses by 14th January 2012.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Mark Sheldon.</p> <p>E-mail: mark.sheldon@cheltenham.gov.uk</p> <p>Tel no: 01242 264123</p>
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Legal implications	<p>As this report proposes an interim budget for consultation purposes, there are no specific legal implications at this stage.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@teWKesbury.gov.uk</p> <p>Tel no: 01684 272012</p>
HR implications (including learning and organisational development)	<p>In the spirit of building on our positive industrial relations environment, the recognised trade unions received a budget briefing at a Joint Consultative Committee on 24 November 2011. The interim budget proposals (Appendix 4) details the savings generated from a number of restructures that have already taken place this 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. 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.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in government funding.
Environmental and climate change implications	The draft budget contains a number of proposals for improving the local environment, as set out in this report.

1. Background

- 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 2012. This report sets out the interim proposals for 2012/13.

2. 2011/12 Revised Budget

- 2.1 The budget monitoring report to the end of August 2011, considered by Cabinet on 18th October 2011, identified a potential projected overspend of £476k for the current year, 2011/12. In response, the Senior Leadership Team implemented a freeze on all unspent supplies and services budgets which included leasing costs for the purchase of new vehicles and equipment. As a result of the action taken, the revised budget for 2011/12, which includes projected savings in employee related and supplies and services budgets, is now projected to have managed the projected overspend to zero.

3. Finance Settlement

- 3.1 The Government's comprehensive spending review (CSR10) in 2010 determined the level of funding for the whole of the public sector for the period 2011/12 to 2012/13. The following table summarises the updated headline figures for the level of Government support to the Council released on 7th February 2011.

	2010/11 £m	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	5.518
less formula grant adjustment e.g. concessionary fares	(1.631)	-	(0.046)	
Adjusted formula grant	7.188	6.098	6.052	5.518
Actual cash (decrease) over previous year		(1.090)		(0.534)
% cash cut		(15.16%)		(8.82%)

- 3.2 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%. 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.
- 3.3 The actual settlement was very different. The council received 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 projected cash cut of £534k (8.82%) in 2012/13. Cumulatively, this equates to a 23.23% 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. The Cabinet's general approach to the 2012/13 budget

- 4.1** The Cabinet's budget strategy for 2012/13, approved at a meeting on 18th October 2011, included an estimate of £824k for the 2012/13 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 9.57% cut in government support. A technical change to the provisional 2012/13 settlement was made on 7th February 2011, which provided an additional £45k in government support which represents a revised cash reduction of 8.82%.
- 4.2** The final assessment of the budget gap for 2012/13, based on the detailed budget preparation undertaken over recent months and the provisional financial settlement is £972k which takes into account, structural shortfalls within the 2011/12 base budget such as car parking income and green waste sales.
- 4.3** In November 2011, the Chancellor of the Exchequer announced that the Government intends to make funding available to help councils freeze their council tax in 2012/13. Unlike for 2011/12, the council tax freeze grant for 2012/13 will involve a single one-off payment and this will not be built into the baseline (i.e. no further grant payments will be made over the Spending Review period). Whilst the Cabinet are proposing to take up the Governments offer to freeze council tax at 2011/12 levels it recognises that this will put additional pressure on the 2013/14 budget as this decision will add circa £200k to the funding gap.
- 4.4** In preparing the interim 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 Taxi Marshall's, tree maintenance and license costs for 'Huddle', costing £44k annually, which have now been built into the base budget. The Taxi Marshall's service had previously been funded from the Licensing Equalisation Reserve which is no longer sustainable.
 - Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
 - Not budgeted for pay inflation for 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 and hire charges for its entertainment's venues at current year's levels which have been shown as growth within the interim budget proposals.
 - Assessed the impact of prevailing interest rates on the investment portfolio, the position in respect of Icelandic banks and the impact of HRA self-financing, the implications of which have been considered by the Treasury Management Panel.
 - 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 for one year only.

4.5 The key aims in developing the approach to the budget were to:

- Protect frontline services, as far as possible
- Continue to develop longer term plans for efficiencies over the period of the MTFS including increasing emphasis on shared services and commissioning services.

4.6 Once again, 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 interim budget proposals for closing the budget gap in 2012/13, the result of this work, are detailed in Appendix 4, split into:

- Decisions already made by council and therefore built into the base budget, totalling £254k.
- Proposals yet to be agreed by council which are not built into the base budget, totalling £862k which includes a contribution from New Homes Bonus (NHB) of £250k.

4.7 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 (4.9 full time equivalents) outlined in the budget proposals have been achieved at minimal cost to the taxpayer.

5. Service growth

5.1 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, infrastructure and schemes which support the BtG programme.

5.2 The New Homes Bonus (NHB) scheme was designed to address the disincentive within the local government finance system for local areas to welcome growth. The scheme is designed to provide local authorities with the means to mitigate the strain the increased population causes whilst promoting a more positive attitude to growth and creating an environment in which new housing is more readily accepted. Whilst funding is not ring-fenced for a specific purpose, it is designed to allow the 'benefits of growth to be returned to local communities'.

5.3 An assessment of projected allocations for NHB based on housing commitments to 2022/23 allows for £250k to be built into the 2012/13 base budget which is sustainable over the period of the MTFS. This leaves a further £324k allocation of NHB in 2012/13 which the Cabinet aspires to fund the following one-off investment and an aspiration to take a similar approach in future years.

- A further £50k towards addressing youth work issues that the County can no longer fund in the way that it traditionally did.
- £137k for small environmental works to tackle environmental issues costing up to a maximum of £15k.
- £137k towards a Promoting Cheltenham fund to support events, projects and initiatives that will stimulate economic and business growth in Cheltenham.

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

6. Treasury Management

- 6.1** Appendix 2 summarises the budget estimates for interest and investment income activity taking into account the following changes, considered by the Treasury Management Panel, at its meeting on 21st November 2011.
- 6.2** Security of capital remains the Council's main investment objective. The solvency issues surrounding Europe in addition to the downgrades of some UK banks has meant the Council has scaled back its lending list, and will start to repay temporary debt with maturing investments rather than re-invest. For 2012/13 interest payable will reduce by £10,600 and interest receivable will reduce by £127,400. Interest rates are expected to remain at low levels for the foreseeable future. Interest payable to the HRA for reserves and balances held within the Council's overall balances will reduce by £32,500.
- 6.3** The government are going ahead with changes which will have a major impact on the way the Housing Revenue Account (HRA) is financed from April 2012. One of the changes is the methodology for splitting the current loans the council has and charging the coupon rate of a loan instead of a weighted average rate to the HRA loans. This has resulted in an additional £232,200 of borrowing costs being transferred to the HRA.
- 6.4** As a result, the net impact on the 2012/13 budget is an increase in net treasury income of £147,900.
- 6.5** The council has been actively pursuing the deposits from the three Icelandic owned banks, Glitnir, Landsbanki and Kaupthing Singer and Friedlander (KSF). Recently the Icelandic Supreme Court upheld the District Court decision that the test cases involving Local Authority deposits with Landsbanki and Glitnir banks as having priority creditor status. This means that local authority deposits will be at the front of the queue in getting the deposits back. Although the council is awaiting ratification of the court decision on non-test cases, it is expected that the council will receive back 98% of the Landsbanki deposits and 100% of the Glitnir deposits. So far 63p in the pound has been received from KSF and future total distributions should be in the range of 79p to 86p in the pound.
- 6.6** This has enabled the council to reduce its Minimum Revenue Provision (MRP), as an element of the capital direction received in 2009 is no longer required, which will save the council £155,000. This has been built into the base budget projection for 2012/13.

7. Medium Term Financial Strategy (MTFS)

- 7.1** The MTFS identified a funding gap for the period 2012/13 – 2016/17 of £2.5m. The MTFS projection will be reassessed to include the latest view of financial implications of more recent developments including any information in respect of future funding levels for the Cabinet's final budget proposals in February 2012.

8. Reserves

- 8.1** Further work on reserves will be undertaken prior to the presentation of the final budget in February 2012, including the Civic Pride, ICT and Property Maintenance reserves.

9. Capital Programme

- 9.1** The proposed capital programme for the period 2012/13 to 2016/17 is at Appendix 6.

- 9.2 The programme includes provisional sums for infrastructure investment to be funded from the Civic Pride reserve. The council may well be concluding the sale of the Midwinter site, North Place and Portland Street car parks during 2012/13. A shopping list of infrastructure investment across the town is being developed for approval.

10. Property Maintenance Programmes

- 10.1 The budget proposals include a proposal to defer the increase in annual contribution of £200k to the planned maintenance reserve by a further year, in response to the severe settlement position. In line with the budget working group's suggestions to Cabinet, the planned maintenance programme will be reviewed by the Asset Management Working Group prior to the final budget preparation in February 2012.

11. Reasons for recommendations

- 11.1 As outlined in the report.

12. Alternative options considered

- 12.1 The Cabinet have considered many alternatives in arriving at the interim budget proposals. Opposition groups will be able to suggest alternative budget proposals for consideration by council in February 2012.

13. Consultation and feedback

- 13.1 The formal budget consultation on the detailed interim budget proposals will be over the period **14th December 2011 to 13th January 2012**. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committees will be invited to review the interim budget proposals in the meetings scheduled for January 2012 and any comments will be fed back to the Cabinet.
- 13.2 Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to consider their full implications and to be built into the budget. Accordingly, if alternative budget proposals are to come forward, this should happen as early as possible.
- 13.3 All comments relating to the initial budget proposals should be returned to the Head of Financial Services by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the council's website. Comments can be e-mailed to **money matters@cheltenham.gov.uk**.

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 interim budget proposals, if approved by full council will be monitored via the BtG group.

Report author	<p>Paul Jones, Head of Financial Services</p> <p>Tel. 01242 775154;</p> <p><i>e-mail address paul.jones@cheltenham.gov.uk</i></p>
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Summary net budget requirement 3. Growth 4. Savings / additional income 5. Projection of reserves 6. Capital programme
Background information	<ol style="list-style-type: none"> 1. Provisional Finance settlement 2012/13 2. MTFS 2011/12 – 2016/17

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	Dec 2012	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	3	9	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	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	Dec 2012	Communications team to support the BTG programme	

	making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.							commissioning culture then it will be basing its decisions on customer needs and requirements and this should help address satisfaction levels.			
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	3	3	9	R	Future realignment of reserves may be required in order to increase the General Reserve.	Dec 2012	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	

NET GENERAL FUND BUDGET 2011/12 REVISED AND 2012/13

GROUP	2011/12 ORIGINAL	2011/12 REVISED	2012/13 ORIGINAL
	£	£	£
Projected cost of 'standstill' level of service			
Commissioning	2,942,800	2,853,300	2,864,200
Built Environment	1,166,850	1,262,166	839,700
Wellbeing & Culture	4,672,200	4,550,250	4,607,850
Resources	1,340,650	1,558,950	1,708,350
Operations	4,793,500	4,740,800	4,820,400
Strategic Directors	(16,450)	(1,450)	(8,550)
Programmed Maintenance (Revenue)	482,100	588,400	770,000
Business Change	734,800	1,016,900	591,325
Savings from vacancies	(480,000)	(69,650)	(480,000)
Bad debt provision	40,000	40,000	40,000
	15,676,450	16,539,666	15,753,275
Capital Charges	(2,097,600)	534,600	(1,913,300)
Interest and Investment Income	521,800	597,200	373,900
Use of balances and reserves	173,643	(2,925,674)	408,498
Proposed Growth recurring - Appendix 3			149,600
Savings / Additional income identified - Appendix 4			(861,600)
LAA Performance Reward Grant		(180,424)	
New Homes Bonus		(290,275)	
Specific Grant in lieu of council tax freeze 2011/12	(197,000)	(197,800)	(197,800)
Specific Grant in lieu of council tax freeze 2012/13			(199,000)
NET BUDGET	14,077,293	14,077,293	13,513,573
Deduct:			
Revenue Support Grant	(1,439,927)	(1,439,927)	(5,518,459)
National Non-Domestic Rate	(4,658,405)	(4,658,405)	0
Collection Fund Contribution	(59,500)	(59,500)	(34,000)
	(6,157,832)	(6,157,832)	(5,552,459)
NET SPEND FUNDED BY TAX	7,919,461	7,919,461	7,961,114
Band 'D' Tax	£187.12	£187.12	£187.12
Increase per annum			£0.00
Increase per week			£0.00
% Rise			0.0%

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Ref	Division	Project Name	Description	Revenue Costs			Capital Costs		
				2012/13 £	2013/14 £	2014/15 £	2012/13 £	2013/14 £	2014/15 £
SUPPORTED GROWTH (RECURRING)									
1	Wellbeing & Culture	Public Protection - Taxi Marshalls	To continue the service of providing taxi marshalls in the town centre to maintain safety in the nighttime economy.	17,000	17,000	17,000			
2	Resources	IT Infrastructure	Huddle is a "cloud" based application that enables team members within partnership projects to work collaboratively and share documents. Funding is required to establish a base budget for licence costs.	7,000	7,000	7,000			
3	Built Environment	Trees Budget	Additional annual tree maintenance budget.	20,000	20,000	20,000			
4	Wellbeing & Culture	Town Hall and Pump Room Lettings income	To not increase the lettings fee income in line with inflation, to keep the fees and charges competitive and reflective of the current economic climate.	11,700	11,700	11,700			
5	Built Environment	Car Parking income	To not increase car parking income charges in line with inflation, to reflect the current downturn in car parking income levels.	93,900	93,900	93,900			
				149,600	149,600	149,600			
SUPPORTED GROWTH (FUNDED FROM CIVIC PRIDE RESERVE)									
6	Built Environment	Civic Pride	CBC contribution to East Promenade repaving by GCC, plus street furniture costs.				145,000		
7	Built Environment	Civic Pride	CBC contribution to West Promenade repaving by GCC.					100,000	
8	Built Environment	Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.				100,000		
9	Built Environment	Civic Pride	Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use.				100,000		
10	Built Environment	Civic Pride	Scheme for St.Mary's churchyard				50,000		
11	Built Environment	Civic Pride	Public Space Designer	35,000	35,000	35,000			
				35,000	35,000	35,000	395,000	100,000	-

Ref	Division	Project Name	Description	Revenue Costs			Capital Costs			
				2012/13 £	2013/14 £	2014/15 £	2012/13 £	2013/14 £	2014/15 £	
SUPPORTED GROWTH (FUNDED FROM CAPITAL RESERVE)										
12	Resources	IT Infrastructure	Upgrade of Microsoft Office required as version currently used is an end of life product and no longer supported by Microsoft.					120,000		
13	Resources	IT Infrastructure	Upgrade of Civica system to ensure PCI compliance.						56,200	
14	Built Environment	Civic Pride	Improvements to Grosvenor Terrace Car Park including making a Green car park, improving linkages to the High Street, improved sustainability - rainwater harvesting, PV cells etc.					150,000		
				-	-	-	-	270,000	56,200	-
SUPPORTED GROWTH (FUNDED FROM PROPERTY R&R RESERVE)										
15	Programme Maintenance	Carbon Reduction	Evaporation system in ICT Server Room				13,000			
16	Programme Maintenance	Carbon Reduction	New LED pool lights at Leisure@				10,000			
				23,000	-	-	-	-	-	-

	2012-13 Savings / Addnl Income £	Built into Base Budget 2012/13 £	Not built into Base Budget 2012/13 £	FTE Losses 2011/12	FTE Losses 2012/13	Service / Risk Implications	Indicative equality / diversity impact at draft budget stage
CORPORATE							
1 RESTRUCTURE OF ADMINISTRATION SUPPORT FOR SENIOR LEADERSHIP TEAM	15,000	0	15,000	1.0		There may be additional pressure on SLT to undertake more administration, diverting valuable time from more critical work.	No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.
COMMISSIONING							
2 REVIEW OF CORPORATE COMMUNICATIONS	20,000		20,000	1.0		It will be important to ensure that the public have the right level of information to access services.	No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.
3 ONE LEGAL REORGANISATION	20,000	0	20,000			None identified.	No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.
HUMAN RESOURCES							
4 CORPORATE TRAINING - INCREASED USE OF LMS LEARNING GATEWAY	2,000	0	2,000			Will need to watch capacity if developing bespoke e-learning.	None identified.
5 REMOVE ESSENTIAL/REGULAR CAR USER STATUS	62,100	0	62,100			Have not been able to reach agreement with TUs at present, may need to introduce new arrangement separately (individual sign up to new approach). Preparing briefing note for SLT, intranet update, will offer 12 Is. May be reduced performance from reduced allowance.	None identified.
OPERATIONS							
6 ESTABLISHMENT OF LOCAL AUTHORITY JOINT WASTE COMPANY WITH COTSWOLD DISTRICT COUNCIL	83,000	0	83,000				None identified.
7 ESTABLISHMENT OF LOCAL AUTHORITY JOINT WASTE COMPANY WITH COTSWOLD DISTRICT COUNCIL - ROLE OF CLIENT OFFICER FOR LAC	-30,000	0	-30,000				None identified.
HEALTH AND WELLBEING							
8 INCREASE COST OF HALL HIRE FOR WEDDINGS AT THE PITTVILLE PUMP ROOMS Increase in cost of weddings by £225 from £1,900 to £2,125.	5,000	5,000	0				None identified.
9 * EVERYMAN THEATRE PHASED GRANT REDUCTION (OVER 6 YEARS) Phased reduction in grant over 6 years resulting from the renegotiation of lease and support for the grant application of £250k towards theatre refurbishment costs and loan application for £1m (total £30k over 6 years)	5,000	5,000	0				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. Director of Wellbeing & Culture to keep an overview of equality impacts.
10 * REDUCTION IN GRANT FUNDING TO PERFORMING ARTS SOCIETY	10,800	10,800	0				The grant reduction may impact on the financial sustainability of the Festival of Performing Arts which provides performance opportunities for children and young people. Director of Wellbeing & Culture to keep an overview of equality impacts.
11 * REVIEW OF ALLOTMENTS SERVICE - ABOVE INFLATION INCREASE IN CHARGES TO COVER COST OF SERVICE	25,000	0	25,000				The increase in charges for allotments may impact on the ability of some individuals to afford their allotments. Director of Wellbeing & Culture to keep an overview on the equality impact of this proposal.
12 ADDITIONAL INCOME FROM NEW ALLOTMENT PLOTS	7,000	0	7,000				As above.
13 LEISURE & CULTURE COMMISSIONING EXERCISE 13a - Price increases to some services at 1.5% above inflationary increase (subject to market conditions)	14,000	0	14,000				The price increases may impact on the ability of some customers to access leisure@. Director of Wellbeing & Culture to keep an overview on the equality impact of this proposal.
13b - Income from a concession scheme run with the University of Gloucestershire. "Universal" is designed to encourage student activity via the purchase of memberships and other services across the year.	15,000	0	15,000				None identified.
13c - Restructuring Leisure@ housekeeping and customer services teams	45,000	45,000	0				None identified.
13d - Increased number & volume of children's activity sessions e.g birthday parties, drop in sessions.	3,000	0	3,000				This is a proposal for additional facilities for children and young people.
13e - Income from the University of Gloucestershire using Leisure@ to provide the staff facilities needed to deliver its PE teacher training.	3,000	0	3,000				None identified.
							Full value offset against possible loss of other business in the hall hires area in particular.

SAVINGS / ADDITIONAL INCOME

	2012-13 Savings / Addnl Income £	Built into Base Budget 2012/13 £	Not built into Base Budget 2012/13 £	FTE Losses 2011/12	FTE Losses 2012/13	Indicative equality / diversity impact at draft budget stage	Service / Risk Implications
14 BOX OFFICE BOOKING FEE INCREASE & RESTRUCTURE	48,000	0	48,000		2.0	The proposal will lead to a small increase in the cost of purchasing tickets from the Town Hall booking office therefore no detrimental equality impacts have been identified at this stage. Any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	
RESOURCES							
15 SOURCING STRATEGY - REVENUES & BENEFITS Savings from Systems Thinking	109,100	109,100	0	2.9		This is a large project which will have significant impacts on staff which needs to be subject to a stand alone equality impact assessment.	There is less resource to deal with any future additional demands on the service resulting from the move to universal credit.
16 FLEXIBLE RETIREMENT OF CUSTODIAN	5,000	0	5,000	0.4		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There will be a reduced pool of staff to call on to maintain the out of hours opening times for the Municipal Offices.
17 RENEGOTIATION OF REGENT ARCADE LEASE (Cabinet approved on 26th July 2011)	75,000	75,000	0			None identified.	None
18 BUILD NEW HOMES BONUS INCOME INTO BASE BUDGET	250,000	0	250,000			None identified.	There may be less money available to fund one off projects previously funded from this income stream.
19 DEFERRED INCREASED CONTRIBUTION TO PROPERTY REPAIRS & RENEWALS RESERVE	200,000	0	200,000			None identified.	The annual programme of maintenance may have to be reduced in line with a reduced budget which could lead to a deterioration in the upkeep of the councils buildings and the towns infrastructure .
20 RESTRUCTURE IN REVENUES DEPARTMENT (INCLUDING RETIREMENT)	15,000	0	15,000	0.5		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There is less resource to deal with any future additional demands on the service resulting from the move to universal credit.
BUILT ENVIRONMENT							
21 MERGING ON STREET AND OFF STREET PARKING TEAMS	10,000	0	10,000	1.0		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There is a risk that if the council were to lose the current civil parking enforcement service provided on street on behalf of GCC, there would be significant financial implications in terms of support service and accommodation costs which would need to be established.
22 MERGER OF STRATEGIC LAND USE AND HOUSING ENABLING FUNCTIONS	14,500	0	14,500	2.0		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	A reduction in staffing capacity may make it difficult to deal with work volumes if there is an upturn in the number of applications. This situation will be kept under review.
23 REDUCE GRANTS TO REGENERATION PARTNERSHIPS (Oakley and Hesters Way Partnerships) Reduce both partnerships by £2k each per annum over 5 years.	4,000	4,000	0			None identified; the funding reduction was agreed last year and has been built into their current 3 year agreements.	Risks from reducing this funding support have been mitigated through dialogue with the affected organisations and phasing of the grant reductions over two years.
24 REORGANISATION OF ECONOMIC DEVELOPMENT	25,000	0	25,000	1.0		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	Whilst there will be a reduction in initiatives providing direct financial support to individual businesses, the council's strategic approach will focus on activities aimed at fostering the conditions within which businesses have the best chance of success.
25 RESTRUCTURE OF BUILT ENVIRONMENT DIVISION	25,000	0	25,000	1.0		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There will be a reduction in strategic housing capacity which is likely to have some impact on the council's ability to contribute to partnership working in areas such as the supporting people programme.
26 SINGLE ADVICE CONTRACT RE-TENDER	25,000	0	25,000			This is a large procurement exercise which need to be subject to a stand alone equality impact assessment.	No significant risks to the authority have been identified.
27 CHARGE FOR DISCRETIONARY ADVICE IN RELATION TO LISTED BUILDINGS AND OTHER HERITAGE ASSETS	5,000	0	5,000			The price increases may impact on the ability of some customers to access this service.	If the council charges for this service, there is an increased risk that the owners of listed buildings and other heritage assets may undertake works without seeking the appropriate advice and consents.
TOTALS	1,115,500	253,900	861,600	7.9	4.9		

* As previously agreed by cabinet/council after discussion with the relevant organisations.

PROJECTION OF RESERVES TO 31ST MARCH 2013		Purpose of Reserve							
		31/3/11	2011/12	2011/12	31/3/12	2012/13	2012/13	31/3/13	
		£	Revenue	Movement	£	Revenue	Capital	£	
			£	Capital		£	£		
							one off growth		
<u>EARMARKED RESERVES</u>									
Other									
BR01	Single Status Reserve	(14,247.00)	3,600.00		(10,647.00)			(10,647.00)	
BR02	Pension Reserve	(28,373.38)	(50,000.00)		(78,373.38)			(178,373.38)	
BR04	Economic Development Reserve	(14,200.00)			(14,200.00)	(100,000.00)		(114,200.00)	
BR05	IBS License Reserve	(148,700.00)			(148,700.00)			(148,700.00)	
BR06	Keep Cheltenham Tidy Reserve	(626.27)			(626.27)			(626.27)	
BR08	Grave Maintenance Reserve	0.00			0.00			0.00	
BR09	Cultural Development Reserve	(22,361.00)			(22,361.00)	15,000.00		(7,361.00)	
BR10	LABGI Reserve	(76,052.86)	45,000.00		(31,052.86)	10,000.00		(21,052.86)	
BR12	House Survey Reserve	(105,024.83)	24,500.00		(80,524.83)	(7,500.00)		(88,024.83)	
BR13	Twinning Reserve	(17,400.00)			(17,400.00)			(17,400.00)	
BR14	Flood Alleviation Reserve	(348,093.52)	133,910.00		(214,183.52)	50,000.00		(164,183.52)	
BR15	Art Gallery & Museum Development Reserve	(2,000,000.00)	(122,000.00)	584,000.00	(1,538,000.00)		1,416,000.00	(122,000.00)	
BR25	Pump Room Insurance Reserve	(28,066.11)	11,000.00		(17,066.11)			(17,066.11)	
BR26	Museum Shop Reserve	0.00			0.00			0.00	
BR27	TIC Shop Reserve	(11,729.18)	11,700.00		(29.18)			(29.18)	
BR30	GF Insurance Reserve	(159,871.44)	38,600.00		(121,371.44)			(121,371.44)	
BR42	Vehicle Leasing Equalisation Reserve	(116,085.24)			(116,085.24)			(116,085.24)	
BR45	Joint Core Strategy Reserve	(234,580.36)			(234,580.36)			(234,580.36)	
BR54	Legal Staff Reserve	(19,350.00)			(19,350.00)			(19,350.00)	
BR58	Civic Pride	(1,083,197.60)	258,100.00		(825,097.60)	226,900.00	430,000.00	(168,197.60)	
		(4,428,058.79)			(3,489,648.79)			(1,449,248.79)	
<u>Repairs & Renewals Reserves</u>									
BR52	Committed Maintenance Reserve	(263,629.37)	39,000.00		(224,629.37)	39,000.00		(185,629.37)	
BR78	Highways Insurance Reserve	(15,000.00)			(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	(133,064.70)	79,400.00		(53,664.70)	6,300.00		(47,364.70)	
BR89	Planned Maintenance Reserve	(1,025,929.12)	(89,600.00)	524,000.00	(591,529.12)	(108,000.00)	131,000.00	(345,529.12)	
		(1,467,623.19)			(914,823.19)			(623,523.19)	

PROJECTION OF RESERVES TO 31ST MARCH 2013		Purpose of Reserve					
		31/3/11	2011/12	2011/12	2012/13	2012/13	31/3/13
		£	Movement Revenue	Movement Capital	Movement Revenue	Movement Capital	£
			£	£	£	£	£
<u>EARMARKED RESERVES</u>							
<u>Equalisation Reserves</u>							
BR63	Rent Allowances Equalisation	(119,655.60)	39,100.00		39,100.00		0.00
BR64	Planning Appeals Equalisation	(38,955.09)					(41,455.60)
BR65	Licensing Fees Equalisation	(28,355.00)	17,000.00				(38,955.09)
BR66	Interest Equalisation	(2,787,594.76)	2,500,000.00				(11,355.00)
BR72	Local Plan Equalisation	(55,030.00)	55,000.00				(287,594.76)
BR76	Elections/Electoral Reg. Equalisation	(11,500.00)	(61,200.00)		72,700.00		(30.00)
		(3,041,090.45)					(379,390.45)
		(351,200.00)	351,200.00				0.00
BR91	Old Year Creditor Rsvs - RR						
<u>CAPITAL</u>							
BR77	Capital Reserve - GF Housing	(902,476.15)		370,000.00			(532,476.15)
BR92	Capital Reserve - GF	(901,799.88)	(751,693.00)	928,300.00	(700,000.00)	620,000.00	(535,192.88)
		(1,804,275.83)					(1,067,668.83)
		(11,092,248.26)					(3,519,831.26)
TOTAL EARMARKED RESERVES							
<u>GENERAL FUND BALANCE</u>							
BS01	General Balance - RR	(2,619,507.03)	393,057.00	109,400.00	48,002.00		(2,069,048.03)
		(2,619,507.03)					(2,069,048.03)
TOTAL GENERAL FUND RESERVES AND BALANCES		(13,711,755.29)	2,925,674.00	2,515,700.00	(408,498.00)	2,167,000.00	(5,588,879.29)
Projected Annual Reduction							2,681,502.00
			5,441,374.00				

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/11	Budget 2011/12 agreed 27/06/11	Revised Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
				£	£	£	£	£	£	£	£	£
		RESOURCES										
		Property Services										
Various	C/R	Programmed Maintenance	New cremators			655,000	524,000	131,000				
		Financial Services										
GCERP	C	GO ERP	Development of ERP system within the GO Partnership	421,700	212,309	209,400	209,400	1,200,000				
DC4002	C	Gloucestershire Airport	Contribution towards the redevelopment project - £1.2m loan			1,200,000	0					
		ICT										
DC3211	C	Working Flexibly	Deliver council services at a time and place which suit the customer. Implementation of Citrix environment to deliver business applications to the home / remote users desktop			35,300	35,300					
DC3213	C	Storage Area Network	Storage for the council's data in a secure, expandable and robust environment	155,000	142,297	12,700	12,700					
DC4003	C	Telephony switch upgrade	Upgrade of operating system, voice system and contacts centre with the benefit of future-proofing the council's system and adding flexibility.	70,300		70,300	70,300					
		WELLBEING & CULTURE										
		Parks & Gardens										
LC6001	S	S.106 Play area refurbishment	Developer Contributions			76,500	54,000	50,000	50,000	50,000	50,000	50,000
LC6006	C	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards			80,000	80,000	80,000	80,000	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	677,363	0	0					
		Cemetery & Crematorium										
LC6022		Burial Chapel	Invest to save scheme to convert burial chapel to handle cremations.	110,000	99,829	10,100	10,100					
		Cultural Services										
LC4006	R/P	Art Gallery & Museum Development Scheme	Council's commitment to new scheme as agreed by Council 20th July 2008			1,000,000	2,030,000	4,270,000				
LC4007	C	Everyman Theatre	Contribution towards the redevelopment project - £1m loan and £250k grant	1,250,000		1,250,000	1,250,000					
		Community Safety										
EC0006	C	CCTV/Town Centre initiative	Expansion of on street CCTV in the town centre to increase safety and secure the environment			50,000	50,000	50,000	50,000	50,000	50,000	50,000

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/11	Budget 2011/12 agreed 27/06/11	Revised Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
				£	£	£	£	£	£	£	£	£
		BUILT ENVIRONMENT										
		Integrated Transport										
EC0033	C	CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime			104,800	14,800	50,000	50,000	50,000	50,000	50,000
EC0060	C	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.			250,000	130,000	120,000				
EC0051	C	Re-joining High Street/Promenade pedestrianised area	Re-joining works required to improve safety and appearance of the core commercial area	60,000	51,993	7,700	7,700					
		Housing										
HC7440	C/SCG	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	600,000	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	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			324,400	324,400					
HC7405	PSDH	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06									
HC7410	PSDH	Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996									
HC7455	LAA / C	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems			60,000	60,000	60,000	60,000	60,000	60,000	60,000
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			345,000	270,000					
HC9200	C/S	Housing Enabling	Transformational improvements to private households in St. Paul's to assist them in raising the standard of their dwellings in line with new build council housing stock.			55,000	130,000					
HC9200	C/S	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes			1,790,000	1,790,000	2,900,000				
		INTERIM BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:										
								270,000	200,000	200,000	200,000	200,000

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Cheltenham Borough Council

Cabinet – 13th December 2011

Housing Revenue Account - Revised Budget 2011/12 and Interim Budget Proposals 2012/13 for Consultation

Accountable member	Cabinet Member for Community Development and Finance, John Webster
Accountable officer	Director of Resources (Section 151 Officer), Mark Sheldon
Accountable scrutiny committee	Social and Community
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the Housing Revenue Account (HRA) revised budget for 2011/12 and the Cabinet’s interim budget proposals for 2012/13 for consultation.
Recommendations	<ol style="list-style-type: none"> 1. Note the revised HRA budget for 2011/12. 2. Approve the interim HRA budget proposals for consultation including a proposed average rent increase of 6.43% (applied in accordance with rent restructuring guidelines) and increases in other rents and charges as detailed at Appendix 5. 3. Approve the proposed HRA capital programme at Appendix 6. 4. Delegate authority to the Director Resources, in consultation with the Cabinet Member for Community Development and Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation. 5. Seek consultation responses by 26th January 2012.
Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Mark Sheldon.</p> <p>E-mail: mark.sheldon@cheltenham.gov.uk</p> <p>Tel no: 01242 264123</p>

Legal implications	As this report proposes an interim budget for consultation purposes, there are no specific legal implications at this stage. Contact officer: Peter Lewis E-mail: peter.lewis@teWKesbury.gov.uk Tel no: 01684 272012
HR implications (including learning and organisational development)	No direct HR implications arising from this report. Contact officer: Julie McCarthy E-mail: julie.mccarthy@cheltenham.gov.uk Tel no: 01242 264355
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The draft budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings

1 Background

- 1.1** The Council's Constitution requires that the Cabinet prepare an interim budget for consultation before it makes recommendations to full Council in February 2012. The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation period, and its report to Council in February 2012 should reflect the Cabinet's response to such comments.
- 1.2** It should be noted that the draft budget proposals are based on draft determinations from the Department for Communities and Local Government (DCLG) which will not be finalised until January 2012.
- 1.3** The budget proposals for 2012/13 recognise the scrapping of the current HRA subsidy system and the introduction of a new self financing regime for local authority housing. The Cabinet have approved for consultation the first draft of a new 30 year HRA business plan which identifies the impact of this fundamental change. The plan anticipates significant additional resources arising from the implementation of self financing. The Cabinet have approved a strategy to use these resources to finance a programme of new build, further improvements to existing stock and additional support services for tenants. A final draft of the plan will be presented for approval in February following the completion of consultation and the confirmation of DCLG proposals.

2. 2011/12 Revised Budget

- 2.1** The revised budget at Appendix 2 shows a reduction in deficit of £130,900 compared to the original estimate. Balances held in reserve were increased by an additional £684,200 following the 2010/11 outturn and the revised deficit for the year of £961,400 will leave a figure of £2,711,800 at 31st March 2012 (previously £1,896,700). This increase in reserves reflects

£325,100 of additional resources and a further £490,000 which arises from deferred capital expenditure which will be required in 2012/13.

2.2 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	139
Reduction in interest payable (change in interest rates)	48
Increase in HRA subsidy payable (change in interest rates)	-66
Additional interest receivable (impact of higher reserves)	19
Other net	-9
Net Reduction in Deficit	131

3. 2012/13 Budget

3.1 The Government published a series of draft determinations on 21st November 2011 which will enable the introduction of self financing from 1st April 2012. These included:-

- a final review of notional rent and expenditure allowances to produce baseline figures for the valuation and debt settlement
- a revised valuation model which uses the baseline data as uplifted for self financing calculations
- a debt settlement for each authority to leave the subsidy system and the subsequent HRA borrowing cap

3.1.1 The draft HRA business plan anticipated a debt settlement of £38.4m for Cheltenham on the basis of previous DCLG projections, a higher than expected rent increase in April 2012 and a contingency for an adverse review of subsidy allowances. However, the draft determinations show that the south west region has again been treated favourably in the annual review and the settlement figure is reduced to £27.9m. This is very welcome news which will increase the level of additional resources arising from self financing.

3.1.2 The baseline determination for 2012/13 shows an increase in guideline rent of 7.5% for Cheltenham. Government social rent policy uses the retail price index in the preceding September plus 0.5% to uplift the formula rent for the following financial year. In September 2011 this was 5.6% so formula rents will be increased by 6.1% for 2012/13.

Rent restructuring, which will bring convergence between local authorities and housing associations, is still timetabled to complete in 2015/16. For Cheltenham tenants this will result in an average rent increase of 6.43% from April 2012 as illustrated by Appendices 4 and 5. This significant increase will be of concern to our tenants already facing other inflationary pressures in the economy but is effectively imposed on us by Government and has been assumed by them in both stock valuation and debt settlement calculations.

3.1.3 The draft determination also includes increases in the baseline management, maintenance and major repair allowances which partly offset the increase in guideline rent. The changes proposed to individual elements are shown below:-

Element of Subsidy	% change
Management Allowance	+1.9%
Maintenance Allowance	+5.8%
Major Repairs Allowance	+4.9%
Guideline Rent Income	+7.5%

3.1.3 The baseline figures for allowances are uplifted to reflect perceived under-funding before being used in a 30 year net present value model of notional income and expenditure. This produces a valuation of the stock for each authority which forms the basis of the debt settlement.

Cheltenham's allowances have been increased by an overall average of 17.94%, including a substantial increase in the major repairs allowance of 39%. The valuation is £53.3m which, after deducting the current notional debt of £25.4m, produces the debt settlement of £27.9m. The valuation figure of £53.3m will also be the HRA borrowing cap – this compares to actual HRA borrowing after settlement of £46.6m giving initial borrowing headroom of £6.7m.

3.2 Significant changes to the HRA in 2012/13 as compared to the revised estimates for 2011/12 are itemised in the table below. These reflect the saving of the annual subsidy payment partly offset by additional debt charges from the settlement. Although the charge for depreciation increases, this will in turn reduce the need for revenue contributions to finance capital expenditure. The net impact is an increase in resources of £2,120,500 producing a surplus of £1,159,100 for the year and increasing revenue reserves to £3,870,900 at 31st March 2013.

Budget Heading	Change in resources
	£'000
HRA subsidy (system scrapped)	3,278
Revenue contributions to capital (now covered by MRA increase)	1,448
Increase in rents	1,058
Savings in reactive & cyclical repairs (service review by CBH)	108
Interest payable (additional costs of debt settlement)	-1,535
Depreciation of dwellings (based on uplifted major repairs allowance)	-1,886
Supporting people funding (end of contract)	-150
Increase in CBH management fee (including growth proposals)	-184
Interest receivable (lower interest rates)	-52
Other (net)	36
Net increase	2,121

3.3 Key assumptions used for the draft budget are:-

- Interest payable is based on an estimated rate of 4.5% on new borrowing for the settlement payment of £27.9m. The Government have confirmed that Councils will have access to a discounted Public Works Loan Board rate for these payments. Advice is being sought from Arling Close on the most effective debt management strategy.

- Current supporting people contracts expire on 31st March 2012. Options for the continuation of the service are being evaluated but at present the draft budget assumes loss of all income.
 - The Government has announced intent to stimulate Right to Buy sales by increasing discounts available to tenants. The detailed proposals have not yet been published so it is not possible to forecast the potential impact. Stock estimates used in the budget assume 5 sales in 2012/13 based on existing trends.
 - Support service recharges to the HRA are kept at 2011/12 levels pending further review.
- 3.4** For some years the Council has maintained a Housing Repairs Account (Appendix 3) which aims to smooth out the peaks and troughs of demand related maintenance expenditure by keeping a separate earmarked reserve. The introduction of self financing reduces the need for such an account and it is recommended that it is closed at 31st March 2012. Maintenance expenditure will then be charged direct to the HRA.
- 3.5** The Government has confirmed that the depreciation charge in the HRA will continue to provide a resource to finance capital expenditure through the major repairs reserve (Appendix 3). Councils can use the uplifted major repairs allowance from the self financing valuation as a proxy for the level of depreciation for a period of up to five years, whilst preparing for the introduction of component accounting in accordance with accounting standards.
- 3.6** Appendix 4 gives details of the progress in rent restructuring to date and projects rent increases forward to the current convergence date of 2015/16 using an estimated RPI of 2.75% per annum.
- 3.7** Appendix 5 details the proposed average rent for 2012/13 with recommended charges for other services. Gas charges for communal heating schemes will be increased by 10% to reflect anticipated fuel increases and there will be a 20% increase towards the cost of the electric fuelled scheme at Cumming Court. This report contains proposals to reduce energy usage consumption in the stock which will help tenants facing rising fuel prices (see paragraph 4.2 below). Provision has been included for a 3% increase in garage rents to reflect both inflation and fund a significant improvement programme in garage sites.
- 3.8** Estimates of service charge income assume an increase of 7.7% for communal power and 2.1% for grounds maintenance. Cleaning costs will be reduced by 5% following service efficiencies offered by CBH.

4. Cheltenham Borough Homes (CBH)

- 4.1** The draft budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2012/13.
- 4.2** CBH has identified three areas of service development for 2012/13 which align with the draft HRA business plan strategy. The growth bids are:-
- Enhanced safer estates service (£80,000)
 - Project to identify and evaluate fuel reduction proposals (£40,000)
 - Improvements in health and safety management, particularly fire, asbestos and legionella (£40,000)
 - Additional arrears officer to help with financial exclusion and debt management thus mitigating anticipated increases in arrears from benefit reform (£30,000)

Total bids amount to £190,000 but are largely offset within the HRA by net CBH savings of £134,700 in base fee proposals.

- 4.3** CBH draft budgets for 2012/13 show a breakeven position whilst reducing base fees and charges to the Council from 2011/12 levels. The HRA management fee for 2012/13 shows a saving of

£18,800 when compared to the planning estimate for the year and the fee for managing the capital programme is kept cash frozen. The overall cost of reactive repairs to the stock is reduced by £81,600 following a comprehensive review of the maintenance operation. This has produced savings of £167,600 which have been partly offset by the increased price and usage of materials. The cost of delivering the estate cleaning contract has also been reduced by £34,300 through service efficiencies.

4.4 The fee submission for the main areas of activity is shown below and compared with 2011/12.

	2011/12 (Revised)	2012/13
	£	£
Management Fee		
-base	4,330,200	4,324,500
-growth bids		190,000
Revenue & Capital Repairs	2,414,200	2,332,600
Management of Capital Programme	405,000	405,000
Block Cleaning Service	310,700	276,400
Total	7,460,100	7,528,500

5. HRA Capital Programme

- 5.1** The revised programme for 2011/12 and proposals for 2012/13 are shown at Appendix 6, together with a more detailed schedule of improvement and repair works at Appendix 7.
- 5.2** The revised estimates for the current year reflect changes identified in budget monitoring reports. Estimated spend in year will increase from £4,828,000 to £4,989,000 primarily due to rescheduling of works on the transformational improvements in St Pauls and the neighbourhood scheme for Hobart House.
- 5.3** The strategy in the HRA business plan seeks a balance of future expenditure on both new build and further improvements to existing stock. CBH is currently evaluating options for a new build programme and a report will be produced early next year. A project to evaluate fuel reduction proposals will also enable targeted capital expenditure plans. Both the increased level of HRA reserves and the availability of borrowing headroom will give the Council significant scope to finance these initiatives.
- 5.4** The 2012/13 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.

6. Areas of Further Work

- 6.1** This provisional budget is based on draft Government determinations which are subject to consultation.
- 6.2** There may also be further adjustments to support service and accommodation recharges to both CBH and the Housing Revenue Account (HRA).

7. Consultation process

- 7.1** The Council is proposing to consult on these budget proposals during the period to 26th January 2012. This extended period will allow the CBH to respond at their Board meeting on 25th January 2012. The results from this consultation will be fed back to the Cabinet and taken into account in the formulation of the final budget proposals.
- 7.2** As part of the interim consultation process the Cabinet’s proposals will be included on the Council’s web site, made available at the Municipal Offices, Area Offices and publicised through the local press. All interested parties will be encouraged to respond.
- 7.3** In preparing the consultation document it may be helpful to provide supplementary information, for instance relating to the main changes in the budget. It is therefore recommended that the Cabinet Member (Finance) be given delegated authority to approve any supplementary information for consultation.

<p>Report author</p>	<p>Bob Dagger, Strategic Financial Advisor, Cheltenham Borough Homes</p> <p>Tel. 01242 264225;</p> <p><i>e-mail address bob.dagger@cheltborohomes.org</i></p>
<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. HRA Operating Account 3. Housing Repairs Account and Major Repairs Reserve 4. Rent Restructuring 5. HRA – Rents and Charges 6. HRA Capital programme (Summary) 7. HRA Capital Programme (Detail)
<p>Background information</p>	<ol style="list-style-type: none"> 1. Government determinations for HRA Self Financing published 21st November 2011

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 increases in rent are not fully explained to tenants (particular those who are not in receipt of full benefit) then there is a risk that + there will be an increase in tenant discontent	Jane Griffiths	December 2011	3	4	12	R	Need to explain to tenants that increases are in line with Government Policy. Need to make sure tenants are aware of benefit take-up rights. CBH have requested an additional arrears officer and already have a financial inclusion officer who will support tenants.	Mar 2012	CBH through Management Agreement	
1.02	The increase in rents and the current economic situation may result in an increase in the the level of rent arrears	Jane Griffiths	December 2011	3	4	12	R	Current economic conditions are placing additional pressures on tenants and the Government 's benefit reforms in 2013 will significantly increase this risk . CBH have requested additional resources to mitigate the impact through its financial inclusion policy	Mar 2013	CBH through management agreement	
1.03	If supporting people contracts due to end in March 2012 are not renewed this could impact on service delivery	Jane Griffiths	December 2011	2	5	10	R	An evaluation of alternative service and funding options is in progress. The draft budget currently assumes contract income of £150,000 is not replaced	Mar 2012	CBH through management agreement	
1.04	If void rent loss is higher than estimated this will impact on the budget	Jane Griffiths	December 2011	3	2	6	R	Demand for social housing remains high with significant	Mar 2013	CBH through management agreement	

								waiting list. Current void levels are low and CBH is achieving high performance on re-letting time. Quality of accommodation needs to be maintained and changes in tenancy termination rates monitored			
1.05	If the demand for reactive repairs increases this could impact on the budget and/or service delivery	Jane Griffiths	December 2011	4	3	12	R	Maintain robust stock condition data. Major peril to the stock is fire which is covered by appropriate insurance. HRA reserves are maintained at a level considered sufficient for uninsured stock damage	Mar 2013	CBH through management agreement	

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	2011/12		2012/13
	Original	Revised	Estimate
	£	£	£
<u>EXPENDITURE</u>			
General & Special Management	1,835,700	1,852,500	1,832,200
ALMO Management Fee	4,330,200	4,330,200	4,514,500
Rents, Rates, Taxes and Other Charges	39,900	32,900	34,400
Transfer to Housing Repairs Account	3,953,000	3,953,000	3,844,900
Provision for Bad Debts	200,000	200,000	225,000
Interest Payable	576,900	528,700	2,063,800
Depreciation of Dwellings	3,240,900	3,240,900	5,032,000
Depreciation of Other Assets	86,000	85,100	95,100
Debt Management Expenses	46,500	46,500	46,500
Rent Rebate Subsidy Limitation	82,600	86,700	64,200
Housing Revenue Account Subsidy	3,212,100	3,278,000	0
TOTAL	17,603,800	17,634,500	17,752,600
<u>INCOME</u>			
Dwelling Rents	16,678,000	16,658,000	17,716,000
Non Dwelling Rents	421,000	424,800	431,800
Charges for Services and Facilities	705,100	725,400	735,600
Supporting People Grant	150,000	150,000	0
TOTAL	17,954,100	17,958,200	18,883,400
NET INCOME FROM SERVICES	-350,300	-323,700	-1,130,800
Amortised Premiums / Discounts	8,900	8,900	6,200
Interest Receivable	-67,400	-86,500	-34,500
NET OPERATING INCOME	-408,800	-401,300	-1,159,100
<u>Appropriations</u>			
Revenue Contributions to Capital	1,587,100	1,447,800	0
Transfer from Major Repairs Reserve	-86,000	-85,100	0
HRA Surplus / (Deficit) carried to reserve	-1,092,300	-961,400	1,159,100
Revenue Reserve brought forward	2,989,000	3,673,200	2,711,800
Revenue Reserve carried forward	1,896,700	2,711,800	3,870,900
Average Rent:-			
Increase 1st April 2012			6.43%
48 wk	76.39	76.36	81.27
52 wk	70.51	70.49	75.02
Average Stock	4,592	4,589	4,582

HOUSING REPAIRS ACCOUNT

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

MAJOR REPAIRS RESERVE

	2011/12		2012/13
	Original	Revised	Estimate
	£	£	£
Balance brought forward	0	300,300	0
Depreciation of Dwellings	3,240,900	3,240,900	5,032,000
Depreciation of Other Assets	86,000	85,100	95,100
	<u>3,326,900</u>	<u>3,626,300</u>	<u>5,127,100</u>
Utilised in Year (Funding Capital Programme App E)	-3,240,900	-3,541,200	-5,092,000
Transfer to HRA re Other Assets	-86,000	-85,100	0
Balance carried forward	<u>0</u>	<u>0</u>	<u>35,100</u>

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 has used for subsidy purposes

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.

	Formula Rent		Limit Rent	Guideline Rent	Actual Rent	
	£	% Inc	£	£	£	% Inc
2011-2012	71.39		69.95	67.76	70.49	
2012-2013	75.74	6.10	74.61	72.87	75.02	
2013-2014	78.20	3.25	77.42		77.71	3.58
2014-2015	80.74	3.25	80.34		80.49	3.58
2015-2016	83.36	3.25	83.36		83.36	3.57

HOUSING REVENUE ACCOUNT - RENTS & CHARGES

	2011/12	2012/13
	£	£
Dwelling Rents (average)		
48 wk basis	76.36	81.27
52 wk basis	70.49	75.02
Garages (per month)	25.24	26.00
Communal Heating Schemes (52 wk basis)		
Gas		
1 person flat	7.18	7.90
2 person flat	9.68	10.65
Cumming Court		
1 person flat	3.78	4.54
2 person flat	5.20	6.24
Guest Bedrooms (per night)	10.00	10.00

HRA CAPITAL PROGRAMME

	2011/12		2012/13
	Original	Revised	Estimate
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>EXPENDITURE</u>			
Property Improvements & Major Repairs (incl fees)	4,368	4,529	4,732
Adaptations for the Disabled	350	350	350
Environmental Works (Tenant Selection)	60	60	60
Repurchase of Shared Ownership Dwellings	50	50	50
	<u>4,828</u>	<u>4,989</u>	<u>5,192</u>
<u>FINANCING</u>			
Capital Receipts			100
HRA Revenue Contribution	1,587	1,448	
Major Repairs Reserve	3,241	3,541	5,092
	<u>4,828</u>	<u>4,989</u>	<u>5,192</u>

PROPERTY IMPROVEMENTS & MAJOR WORKS	
COST HEADING	2012/13 BUDGET
	£
INTERNAL IMPROVEMENTS	1,110,000
PATHS, FENCES & WALLS	150,000
WORKS TO BUILDING FABRIC	438,600
RENEWAL OF WATER MAINS	20,000
RENEWAL OF HEATING SYSTEMS	233,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	330,000
WINDOWS & DOORS	200,000
ASBESTOS	77,500
SHELTERED ACCOMMODATION	50,000
NEIGHBOURHOOD WORKS	600,000
DOOR ENTRY SCHEMES	342,500
STRUCTURAL WORKS	120,000
CARBON MONOXIDE DETECTORS	50,000
FIRE PROTECTION	50,000
LIFTS	97,500
SOIL STACKS	50,000
ST PAULS TRANSFORMATIONAL IMPS	290,000
GARAGE IMPROVEMENTS	100,000
ELECTRIC SUB MAINS	17,500
FEE FOR MANAGING PROGRAMME	405,000
TOTAL BUDGET	4,731,600

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