CHELTENHAM
BOROUGH COUNCIL

Notice of a meeting of Cabinet

Tuesday, 7 February 2012
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

		SECTION 1 : PROCEDURAL MATTERS	
1.		**APOLOGIES**	
2.		**DECLARATIONS OF INTEREST**	
3.		**MINUTES OF THE LAST MEETING** Minutes of the meeting held on 13 December 2011.	(Pages 1 - 6)
4.		**PUBLIC QUESTIONS AND PETITIONS**	
		SECTION 2 :THE COUNCIL *There are no matters referred to the Cabinet by the Council on this occasion*	
		SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEES	
5.		**RECOMMENDATION FROM SOCIAL & COMMUNITY OVERVIEW AND SCRUTINY COMMITTEE REGARDING YOUTH AND ANTI-SOCIAL BEHAVIOUR** Excerpt of minutes from meeting held on 9 January 2012	(Pages 7 - 8)
6.		**RECOMMENDATION FROM ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE REGARDING PLASTIC BAGS** Excerpt of minutes from meeting held on 18 January 2012	(Pages 9 - 10)
		SECTION 4 : OTHER COMMITTEES *There are no matters referred to the Cabinet by other Committees on this occasion*	

		SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS	
7.		**GENERAL FUND REVENUE AND CAPITAL - REVISED BUDGET 2011/12 AND FINAL BUDGET PROPOSALS 2012/13 FOR CONSULTATION** Joint report of the Cabinet Member Finance and Community Development and the Director of Resources	(Pages 11 - 66)
8.		**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2012/13** Report of the Director of Resources	(Pages 67 - 90)
9.		**HOUSING REVENUE ACCOUNT - REVISED BUDGET 2011/12 AND FINAL BUDGET PROPOSALS 2012/13 FOR CONSULTATION** Joint report of the Cabinet Member Finance and Community Development and the Director of Resources	(Pages 91 - 108)
10.		**HOUSING REVENUE ACCOUNT BUSINESS PLAN** Report of the Cabinet Member Housing and Safety	(Pages 109 - 138)
		SECTION 6 : BRIEFING SESSION • Leader and Cabinet Members	
11.		**BRIEFING FROM CABINET MEMBERS**	
12.		**WORKFORCE CHANGE PROTOCOL** Information/Discussion paper of the Cabinet Member Corporate Services	(Pages 139 - 148)
		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	
13.		**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 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	
14.		**EXEMPT MINUTES** To approve the exempt minutes of the meeting held on 13 December 2011.	(Pages 149 - 150)
15.		**DISPOSAL OF LAND** Report of the Cabinet Member Built Environment	(Pages 151 - 166)
		Section 10: BRIEFING NOTES Briefing notes are circulated for information with the Cabinet papers but are not on the agenda. • The Mayor's car	

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Cabinet

Tuesday, 13th December, 2011
6.00 - 6.55 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**

2. **DECLARATIONS OF INTEREST**
There were none.

3. **MINUTES OF THE LAST MEETING**
The minutes of the meetings held on 15 November 2011 and 6 December 2011 were approved as a correct record and signed by the Chair.

4. **PUBLIC QUESTIONS AND PETITIONS**
There were none.

5. **LEISURE AND CULTURE REVIEW CONSULTATION**
The Cabinet Member Sport and Culture introduced the report which sought approval by Cabinet of the outcomes for the Leisure and Culture Review. The Cabinet Member highlighted Section 3 of the report which detailed the consultation event which covered the entire scope of the review and Section 5 which outlined the key messages. A revised set of outcomes had been prepared using feedback from the event and these were outlined in Sections 6.2 of the report.

The Cabinet Member Sport and Culture proposed that an amendment be made to the report in so far as adding as a secondary outcome to the Art Gallery and Museum and the Leisure@ and Sports, Play and Healthy Lifestyles service areas. This was as follows : "That the council generates the greatest return (financially, economically and socially)from its investment in the buildings. Members supported the enhanced outcomes as they agreed that financial implications should not be taken in isolation.

The Cabinet Member explained that the next phase would be to look at how the Council was currently delivering services in these areas to see if this matched up with the identified outcomes.

Members were confident that these were positive outcomes for Leisure and Culture services to achieve.

RESOLVED

That the outcomes for the Leisure and Culture Review as outlined in Section 6 of the report be approved.

6. QUARTERLY BUDGET MONITORING REPORT 2011/12 - POSITION AS AT NOVEMBER 2011

The Director Resources introduced the report which had been circulated with the agenda. He stated that the previous budget monitoring report in August 2011 had projected an overspend of £476 000. Since then SLT had focussed on mitigating this with a freeze on supplies and services and recruitment decisions were made only where there was a concrete business case. As a result of this it was now anticipated that a balanced budget would be delivered.

The Cabinet Member Finance and Community Development highlighted that budget monitoring was a crucial part of the bridging the gap work. The budget was examined on a weekly basis enabling any glitches to be detected and for early remedial action to be taken. He reported that council tax collection rates had improved although the number of businesses had decreased which reflected on how the town was performing.

The Cabinet Member Sustainability highlighted the net over recovery of income on recycling activities of £158 000 in 2011/12 due to the higher than anticipated tonnages processed (due to the success of the alternate weekly collection) and higher than anticipated recyclate prices.

The Leader of the Council stated that there were some 92 different Bridging the Gap projects underway and whilst not all would be achievable it was important that as soon as they were showing signs of going off course remedial action was taken. He complimented the senior management team and the relevant officers for their valuable contributions to this work.

RESOLVED

1. **That the contents of the report including the key projected variances to the original 2011/12 budget which have enabled the council to deliver a balanced revised budget be noted.**

2. **That the current freeze on spending against supplies and service expenditure budgets, is continued, where possible, until further notice. This has been factored into the revised 2011/12 budget.**

7. GENERAL FUND REVENUE AND CAPITAL REVISED BUDGET 2011/12 AND INTERIM BUDGET PROPOSALS 2012/13 FOR CONSULTATION

The Cabinet Member Finance and Community Development introduced the report which outlined the revised budget 2011/12 and the Interim Budget Proposals 2012/13 for consultation. He proposed an amendment to the third recommendation of the report to read “Approve the growth proposals, including one off initiatives at Appendix 3 and use of the New Homes Bonus as indicated in paragraph 5.3". Members supported this amendment.

The Cabinet Member informed the meeting that next year's budget would be balanced without the need for significant cuts. The Government's offer to pay for a freeze in council tax next year would be taken advantage of. The following items had been built into the base budget :

- the reinstatement of £110 k for the subsidised County Council verges contract
- £20k for maintaining the 8000 highway trees
- Funding for the Taxi marshalls scheme

In addition he reported that parking charges would be frozen for another year, lettings fees for the Town Hall and Pump Room would be frozen for a year, there would be investment in IT infrastructure and capital funding had been allocated from the civic pride reserve to improve town centre infrastructure and paving as requested by the Cheltenham Task Force.

£250 000 of the £583 559 in New Homes Bonus would be used to maintain services by supporting the revenue budget. In addition £50 000 would be allocated to continue support for youth work. £142 000 each would be allocated to the environment improvement and promoting Cheltenham schemes that were established last year.

Actively managing vacancies and staffing levels to minimise the impact of service reviews had resulted in a proposed 4.9 FTE reduction, none of which were compulsory. The Cabinet Member highlighted that times remained uncertain and the Government settlement would be cut by £500 000.

He wished to put on record his thanks to the finance team and the senior leadership team for their contributions in keeping control of the budget.

Members welcomed the draft budget and reiterated their thanks to officers. The Cabinet Member Built Environment referred to the success of the Icelandic bank litigation which was an illustration of the resilience of the council.

The Cabinet Member Corporate Services referred to the way the Council had conducted its business through the work on bridging the gap which had involved every member of staff. The amount of work undertaken over the last two years had ensured a balanced budget and this was to the staff's credit.

The Leader of the Council said that the balanced budget was a reward for the hard work undertaken over the last few years. It was hoped that a similar situation would be reached next year but he warned about the cut in government funding. He believed that it was appropriate to bring some of the New Homes Bonus into the base budget. The remainder would be earmarked for valuable youth work and supporting the Environmental Improvement Fund and Promoting Cheltenham fund.

The Director Resources clarified that the figure in the second and third bullet points of paragraph 5.3 of the report should read £142k. In addition an amended Appendix 4 had been tabled which contained cosmetic changes.

RESOLVED THAT

1. **The revised budget for 2011/12 be noted.**

2. **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) be approved.**

3. **The growth proposals, including one off initiatives at Appendix 3 and the use of the New Homes Bonus as indicated in paragraph 5.3 be approved.**

4. **The proposed capital programme at Appendix 6, as outlined in Section 9 be approved.**

5. **Authority be delegated 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. **Consultation responses be sought by 14th January 2012.**

8. HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL REVISED BUDGET 2011/12 AND INTERIM BUDGET PROPOSALS 2012/13 FOR CONSULTATION

Having declared a personal and prejudicial interest in this item the Cabinet Member Corporate Services left the room and did not participate in the debate.

The Cabinet Member Finance and Resources stated that the Housing Revenue Account was a good news story. The Self-Financing settlement from central government had been better than expected at £27.9m (reduced from £38.4m originally budgeted for). This meant that the net impact of self financing next year was of more than £2m which would give the Council a strong start in delivering the strategic aims proposed in the draft HRA business plan. These were new build, improvement of stock including environmental and fuel efficiency works and service improvements. Consultation on plans had now been completed and feedback would be available in early January.
The Cabinet Member highlighted paragraph 3.1.3 of the report detailing how the debt settlement was arrived at. This gave the council and affordable settlement which should produce significant extra resources to make a difference in communities. Both additional capital and revenue funds would be available to invest in the stock.

CBH were currently evaluating plans for new build and further investment in the existing stock. CBH had put forward growth bids totalling £190k for service improvements, for enhancing the safer estates service, fuel reduction initiatives, improvements in health and safety management and further work to help with financial exclusion. The cost of these was largely offset by other savings identified by CBH giving a net increase in the CBH budget of £68k.

The Cabinet Member reported that rents would again be rising in line with the national formula. He highlighted that the important change was that from next year the money from rent increases would stay in Cheltenham and be used for the benefit of all tenants.

The Cabinet member commended the community development approach CBH had adopted to housing management. He recognised the achievements of CBH to date in managing the council's housing stock. He took the opportunity to thank all those involved, CBC finance staff and CBH.

The Leader of the Council welcomed the report but sought assurance from CBH that work was ongoing within CBH to create efficiencies. In response the Cabinet Member explained that salaries at CBH were frozen and economies had been made. Bob Dagger, Assistant Chief Executive CBH, outlined the savings that CBH had made in terms of reactive repair work, estate cleaning and general management savings. The growth proposals were aligned to the emerging strategy in the HRA business plan. He stressed that CBH viewed the HRA as an extremely valuable resource which would be used with the utmost care.

RESOLVED

1. **That the revised HRA budget for 2011/12 be noted.**
2. **That 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 be approved.**

3. **That the proposed HRA capital programme at Appendix 6 be approved.**

4. **That authority be delegated 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. **That consultation responses be sought by 26th January 2012.**

9. NOMINATIONS TO OUTSIDE BODIES-HILLVIEW COMMUNITY ASSOCIATION

The Leader informed Members that as no nominations had been received for the vacancy to Hillview Community Association this item had been withdrawn from the agenda and would form part of the Council appointments process following the elections in May 2012.

10. BRIEFING FROM CABINET MEMBERS

The Cabinet Member Sustainability informed the meeting that the Council would be responding to the Government consultation on the change of Feed in Tariffs for solar PV installations. The proposed size in reduction of the tariff was considerable and this would have a significant impact on domestic households and indeed on the public and private sector.

The Cabinet Member Housing and Safety updated members on the second bidding round for funding for projects for young people. The closing date was 9 December and 11 bids had been received for the £13 000 funding. A decision would be made in due course but particular consideration would be given to those groups who had not been reached in the first bidding round.

The Cabinet Member Corporate Services told members that GO had gone live in the Forest of Dean last week and they had been comfortable with the process. He also repeated that two members of CBC staff, Paul Jones and Amanda Attfield, had been appointed to the GO shared services senior management team. GO would be going live in Cheltenham in April 2012.

11. LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS

RESOLVED

That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining 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) of the Local Government Act 1972.

12. LEASE OF 30 ST GEORGES PLACE-RENT REQUEST FOR RENT SUBSIDY FROM VISION 21 GLOUCESTERSHIRE

The Cabinet Member Built Environment introduced the report which set out the background to the request from Vision 21 Gloucestershire for a rent subsidy for the 2010 rent review. Members considered the report and approved the officer recommendations.

RESOLVED

That the officer recommendations be approved.

13. EXEMPT MINUTES OF THE MEETING HELD ON 15 NOVEMBER 2011

The exempt minutes of the meeting held on 15 November 2011 were approved and signed as a correct record.

Chairman

CABINET-7 FEBRUARY 2012-SECTION 3-OVERVIEW & SCRUTINY COMMITTEES

SOCIAL & COMMUNITY OVERVIEW & SCRUTINY COMMITTEE-9 JANUARY 2012

EXCERPT OF DRAFT MINUTE FOR AGENDA ITEM 9- ANTI-SOCIAL BEHAVIOUR UPDATE-FOCUS ON IMPACT OF YOUTH CENTRE CLOSURES IN THE BOROUGH

The Community Safety Manager outlined his report and explained that at this stage it was a little premature to link the closure of youth facilities to any rise in anti-social behaviour committed by young people. He was however working closely with the police to obtain the information in the coming 12-24 months and this issue had also been raised countywide.

Members understood that statistics may take time to be formulated but were concerned that youth related anti social behaviour was not captured in some form. This was a vital issue and a failure to record what was going on on the ground must mean there was a lack of understanding of what was actually happening. They made reference to the Community Orientated Police Scheme (COPS) and asked whether they provided any such data in terms of records of COPS resolutions. In response the Community Safety Manager explained that he had consulted widely but to date there were no figures coming through.

Members were also concerned that the safeguarding young people work previously carried out by the youth service was no longer being undertaken. They asked whether monitoring and signposting was still being done bearing in mind that there was now only one dedicated youth worker in the borough.

The Community Safety Manager responded to Members by saying that CBC worked closely with the Police. The County Council ran an Anti Social behaviour strategy group which was seeking funds to set up a database to record issues. It was however not just a question of finding an IT solution. He also reported that in Cheltenham the Crime and Disorder partnership facilitated information exchange between stakeholders and intervention was starting to be put in place before enforcement.

Members could not understand why it was possible on the Gloucestershire Constabulary website to access the number and nature of particular crimes in a particular area and that neighbourhood watch leaflets also reported crime statistics yet it was not possible for a report to be provided to Councillors.

The Community Safety Manager acknowledged that it was difficult to get the information down to the right level. It was suggested by members to invite an officer from Gloucestershire Constabulary to a future meeting to explain why incidences were not being recorded properly.

When asked how the Committee could take forward its strong views the Director of Commissioning suggested that the Committee submit a recommendation to Cabinet expressing its concerns with regard to the lack of reporting figures and that Cabinet should take this issue up directly with the Police. Members felt that this was the correct approach but that in addition to this the wider issue of lack of youth provision in the town and the lack of coordination of new projects being undertaken should be raised with Cabinet.

The Director Commissioning explained that the Cheltenham Strategic Partnership had a Positive Lives Partnership under its umbrella which should capture the impact of the cuts to youth activity. The Community Safety Manager added that if there was a link between the withdrawal of funding and the rise in incidences of antisocial behaviour he would help bringing the right people together.

Resolved

To express the Committee's concerns to Cabinet regarding the lack of data on the impact of the reduction in funding for general/universal youth provision in the town with a particular focus on incidences of antisocial behaviour.

The Committee recommends that Cabinet

1. **takes this issue up directly with Gloucestershire Police**
2. **works with the CSP Positive Lives partnership to address the wider issue of lack of youth provision in the town, particularly in terms of coordinating new youth projects being undertaken**

CABINET – 7 FEBRUARY 2012
SECTION 3: OVERVIEW AND SCRUTINY COMMITTEES

ENVIRONMENT OVERVIEW & SCRUTINY COMMITTEE – 18 JANUARY 2012

EXCERPT OF DRAFT MINUTES FOR AGENDA ITEM 7 (UPDATE ON GENERAL USE OF PLASTIC BAGS)

The Chair noted that this item had been scheduled at the request of Councillor Fletcher.

The Town Centre Manager introduced Jennie Hall, the Finance and Operations Manager from Marks & Spencer (M&S), in place of her colleague Darren Price who was unable to attend. He explained that Jennie would make a short verbal presentation to the Committee in relation to the discussion paper that had been circulated and would be unable to answer more general questions about M&S policies, etc.

Jennie stressed the importance of Plan A which was integral to M&S, with 180 commitments to change the way they work, 95 of which had been achieved.

Plastic bags were a key focus for M&S who issued an average of 133 plastic bags per person, per annum. A 7% reduction in the number of bags issued by M&S would result in 280 million less plastic bags a year. M&S introduced the 5 pence charge per food bag, as research showed that charging for the use of bags was more effective than offering incentives for not using them and at the same time raised money for charity. There were currently no plans to charge for any bags other than those for food but the bags used by M&S were better than some, as M&S used recycled polythene.

Other measures adopted by M&S included the Oxfam Clothes Exchange, unsold food sent to anaerobic digestion to generate energy to light and heat stores and a reduction of non-glass packaging. Full details of the achievements to date and aims for the coming year were set out in the ‘How We Do Business 2011’ report which was available on the M&S website.

In response to a question from a member of the committee, Jennie confirmed that sales had not been impacted by the introduction of charges for food bags, though some customers were initially reluctant to pay. The solution was educating customers to kick the habit of using plastic bags.

Responding to a question from a member of the committee the Town Centre Manager proposed that it was in the interest of retailers to reduce the number of plastic bags issued as this would reduce their costs but equally they didn’t want to make it difficult for consumers to purchase goods. He felt that the drive needed to come from the consumers and highlighted that the Regent Arcade had introduced a programme by which they would exchange a plastic bag for a bag for life.

Members commended M&S for their efforts, innovation and successes and whilst generally accepting the reasons given by Jennie as to why bag charges didn't apply to clothing purchases, they felt this should be explored and considered.

Members recognised that there was no Council funding available to educate consumers and agreed that the focus should be supporting the efforts of the retailers. Suggestions included;

- Create a webpage on the Council website which outlines the negative impact plastic bags have on the environment and detail local examples of good practice (M&S, Regent Arcade, etc).
- Identify retailers who are not making efforts to reduce the number of plastic bags issued, though another member felt that by highlighting good practice some retailers would be noticeable by their absence.
- Organise a competition to develop a strap line for Cheltenham that conveys that shoppers are welcome but they should bring their own bags.
- The Echo could link up with local Schools. Children could design their own bag for life and once printed, perhaps the parents would be more inclined to use them. This may be a potential initiative for the 'Promoting Cheltenham Fund'.
- Ask whether a company has a policy in relation to the use of plastic bags as part of the Planning process, though this would be for information only rather than a deciding factor in any application.

The Climate Change & Sustainability Officer felt all the issues raised in the discussion paper had been addressed and Members had no further questions.

Upon a vote it was unanimously

RESOLVED that the committee recommends that Cabinet;

1. **Consider working with local press and/or Schools on a promotional campaign of some description (based on the suggestions of the Committee);**

2. **Speak to Planning Officers about whether there is any provision for reviewing a retailers plastic bag policy as part of future planning applications.**

Cheltenham Borough Council

Cabinet - 7th February 2012

Council - 10th February 2012

General Fund Revenue and Capital - Revised Budget 2011/12 and Final 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 final budget proposals for 2012/13 for consultation.**
Recommendations	**Cabinet / Council** **1. Note the revised budget for 2011/12.** **2. Consider the budget assessment by the Section 151 Officer at Appendix 10 in agreeing the following recommendations.** **3. Approve the final budget proposals 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).** **4. Approve the growth proposals, including one off initiatives at Appendix 3.** **5. Approve the savings / additional income at Appendix 4.** **6. Approve the reserve re-alignments at Appendix 5, as outlined in section 9.** **7. Approve the proposed capital programme at Appendix 6, as outlined in Section 10.** **8. Note the updated Medium Term Financial Strategy at Appendix 7 including the impact of the 'bridging the gap' programme on the forecast budget gap.** **9. Approve the proposed Property Maintenance programme at Appendix 8, as outlined in Section 11.** **10. Approve a level of supplementary estimate of £100,000 for 2011/12 as outlined in section 14.**

Financial implications	As contained in the report and appendices. **Contact officer: Mark Sheldon.** **E-mail: *mark.sheldon@cheltenham.gov.uk*** **Tel no: 01242 264123**
Legal implications	The budget setting process must follow the Council's Budget and Policy Framework Rules. The Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific % increase. The government is progressing statutory regulations which will set out the processes to be undertaken and the proposal is that a referendum be required for proposed increases in council tax over 3.5%. **Contact officer: Peter Lewis** **E-mail: peter.lewis@tewkesbury.gov.uk** **Tel no: 01684 272012**
HR implications (including learning and organisational development)	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 and 2nd February 2012. The final 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. On going, it is important that capacity is carefully monitored and managed in respect of any reductions on FTE and reduced income streams. **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 final budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in government funding.
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 it's proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2011. The consultation took place between the period 14th December 2011 to 13th January 2012 and this report sets out the final budget proposals for 2012/12.

2. Budget Assessment of the Section 151 Officer

2.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on HRA to Council) covering the robustness of estimates and adequacy of reserves. The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

2.2 Traditionally this has been a separate report to council but, following a review by the Budget Working Group, it was recommended that a more succinct assessment be incorporated in the main budget report. In responding to this request, the Section 151 Officer has taken a risk based approach to his assessment which is attached at Appendix 10.

3. 2011/12 Revised Budget

3.1 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.

4. Finance Settlement

4.1 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%)**

4.2 In the coalition Government's comprehensive spending review in October 2010, the Chancellor of the Exchequer announced that councils would receive a cut in government support of 7.1% in each of the next 4 years, a total of 28.4%. This was in line with the assumptions for a reduction in government support modelled in the council's Medium Term Financial Strategy (MTFS) although the council anticipated some front loading and planned for a 10.7% cut in 2011/12.

4.3 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.

5. The Cabinet's general approach to the 2012/13 budget

5.1 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 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%.

5.2 The final assessment of the budget gap for 2012/13, based on the detailed budget preparation undertaken over recent months and the financial settlement is £972k which takes into account, structural shortfalls within the 2011/12 budget such as car parking income and green waste sales.

5.3 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.

5.4 In preparing the final budget proposals, the Cabinet and officers have made the following assumptions:

- Prepared a standstill budget projection under a general philosophy of no growth in levels of service with the exception of Taxi Marshall's, tree maintenance and license costs for 'Huddle', costing £44k annually, which have now been permanently built into the base budget. The Taxi Marshall's service had previously been funded from the Licensing Equalisation Reserve which is has now been used up.

- 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, hire charges for its entertainment's venues and building control fees at current year's levels which have been shown as growth within the final 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 though a specific grant for one year only.

- The budget has been prepared to take account of the new local authority company, Ubico, from 1st April 2012. A number of services which were currently delivered within the operations team are being retained within the council and not transferring to the company; this includes cemetery and crematorium, parks development and public protection which now sit within the wellbeing and culture division. The council will continue to retain the customer service elements of the services within scope of the company and these are being transferred to the resources division, and the client officer (which is being shared with Cotswold district council) will sit in the commissioning division. In addition, the budget takes into account the impact of the creation of the GO shared service, incorporating Financial Services, Payroll and Human Resources. Both Ubico and GO will change the accounting arrangements for these services such that detailed budgets will sit either in Ubico or GO and the council will hold a budget from the recharge of the cost of the services back to the council and for the residual client services. This work has yet to be finalised but will not impact on the net cost of services.

5.5 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.

5.6 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 final 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 £866k which includes a contribution from New Homes Bonus (NHB) of £250k.

5.7 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.

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

Summary of changes to Interim Budget proposals 2012/13 – Revenue item	£
Increase in tax base	(4,547)
Adjustment to pension fund contribution expenditure in respect of the 2010 formal valuation of the pension fund	(120,000)
Contribution to Joint Core Strategy Reserve to fund CBC's contribution to Joint Core Strategy work 2012/13 to 2015/16	120,000
Reduction of £7k additional income identified from new allotment plots in 2012/13 to £2k, to reflect the part year effect of the new plots which will be	5,000

available from early 2013, subject to planning permission.	
Operations Manager Post – pending review of savings delivered by the Local Authority Company - one off £30k funding by realignment of unused single status and LABGI reserve.	nil
Advance payment in 2011/12 of Everyman Theatre repairs grant 2012/13 – as per council decision June 2011. Funded from Property Repairs & Renewals fund.	nil
Transitional support for Cheltenham Arts Council – subject to further review.	5,000
Transitional support for Citizens Advice Bureau (£30k for 2012/13 and £30k for 2013/14) subject to a sound business case. To be funded from the General Reserve.	nil
Freeze building control fees – loss of increased inflationary income of £9,800 offset by increases savings from service restructuring	nil
Reduced contribution to General Balances	5,453

Changes to Capital programme

Summary of changes to Interim Budget proposals 2012/13 – Capital item	£
Virtual e-mail – capitalised cost of software to ensure secure e-mail exchange between GO partners - £22k funded from the Capital Reserve.	nil
Phase II of Imperial and Montpellier Gardens investment programmes and investment in infrastructure in Pittville park – subject to / funded from part of the sale proceeds of Montpellier Lodge.	200,000

6. Service growth

6.1 The Cabinet's initial approach was that, given the difficult financial situation, there should be no growth in services which has an impact on revenue expenditure except where there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The growth identified in the budget proposals supported by Cabinet meets these criteria and reflect the need to invest in business processes, infrastructure and schemes which support the BtG programme.

6.2 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'.

6.3 An assessment of projected allocations for NHB based on housing commitments over the period of the MTFS 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 £333k allocation of NHB in 2012/13 which the Cabinet proposes 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.

- £141.5k for small environmental works to tackle environmental issues costing up to a maximum of £15k.
- £141.5k towards a Promoting Cheltenham fund to support events, projects and initiatives that will stimulate economic and business growth in Cheltenham.

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

7. Treasury Management

7.1 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 and 26th January 2012.

7.2 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.

7.3 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.

7.4 As a result, the net impact on the 2012/13 budget is an increase in net treasury income of £147,900.

7.5 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. Recently the Icelandic district court confirmed that the Supreme Court decision would apply to non-test cases. As such, 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. Based on current assumptions, the council will receive between £10.2-10.45m of the original £11m deposited with the Icelandic banks.

7.6 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.

8. Medium Term Financial Strategy (MTFS)

8.1 The MTFS identified a funding gap for the period 2012/13 – 2016/17 of £2.5m.The MTFS projection has been reassessed to include the latest view of financial implications of more recent developments and include projected funding levels is contained in Appendix 7.

9. Reserves

9.1 The Cabinet has taken the opportunity to review the reserves held by the council on the advice of

SLT and the Section 151 Officer. Some realignment of reserves, detailed in Appendix 5, are proposed to fund the Operations Manager post and the intention to fund, subject to business case the CAB transitional payments for two years, from the General Reserve.

10. Capital Programme

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

10.2 The programme includes provisional sums for infrastructure investment to be funded from the Civic Pride reserve. The council has now concluded the sale of the Midwinter site and the receipt has been set aside for now and may soon receive a receipt from North Place and Portland Street car parks during 2012/13. Officers are currently working on the costing of the aspirations in the Asset Management Plan which will help Members prioritise and agree the use of these receipts.

11. Property Maintenance Programmes

11.1 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 challenging financial position. In line with the budget working group's suggestions to Cabinet, the planned maintenance programme was reviewed by the Asset Management Working Group and is attached at Appendix 8 for approval.

12. Reasons for recommendations

12.1 As outlined in the report.

13. Consultation and feedback

13.1 The formal budget consultation on the detailed interim budget proposals took place over the period 14th December 2011 to 13th January 2012. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, a residents focus group, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committees were invited to review the interim budget proposals meetings in January 2011 and comments were fed back to the Cabinet.

13.2 A summary of the budget consultation responses and the Cabinet's response to it in arriving at the final budget proposals, are contained in Appendix 9. A copy of the detailed responses are available in the Member's room.

14. Supplementary Estimates

14.1 Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2012/13 to be met from the General Reserve, the same level as in 2011/12.

15. Alternative Budget Proposals

15.1 It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Section 151 Officer and / or the appropriate Strategic

Director / Chief Executive (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly identified.

15.2 It is important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

16. Final Budget Proposals and Council Approval

16.1 The Cabinet have presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.

16.2 If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.

16.3 An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Section 151 Officer in writing within 5 working days that he objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.

16.4 In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

17. Performance management – monitoring and review

17.1 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.

17.2 The delivery of the savings workstreams included in the finalbudget proposals, if approved by full council will be monitored via the BtG group.

18. Conclusions

18.1 As outlined throughout the report, the economic situation and severe cuts to public spending are having a major impact on the budget setting process. The budget proposals for 2012/13 have been prepared in a climate of uncertainty and have been severely impacted upon by the continued economic downturn. Low interest rates coupled with suppressed income levels have presented a huge challenge for both Officers and Members in preparing a budget for the year ahead. Future funding gaps, coupled with the uncertainty of the implications for local government of a public sector spending squeeze point to a challenging period for the Council.

18.2 The Council continues to find itself under pressure in the following key areas:

- The cost implications of providing a wide range of services, including many discretionary services.

- The impact of the performance of the pension fund, due to falling stock markets, on employment costs.

- The cost of maintaining a large property portfolio.

- The impact of low interest rates on investment income.

- The impact of sustained low income levels.

18.3 As part of the Council's medium term financial planning, it is important to continue to prepare for a number of challenges, including the identification of savings required for future years to bridge future funding gaps, maintaining the Council's substantial asset portfolio, meeting new government targets and local customer demand for improved services.

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Appendices	1. Risk Assessment 2. Summary net budget requirement 3. Growth 4. Savings / additional income 5. Projection of reserves 6. Capital programme 7. Medium Term Financial Strategy (MTFS) 8. Planned Maintenance Programme 9. Summary of budget consultation and Cabinet response 10. Section 151 Officer budget assessment
Background information	1. Finance settlement 2012/13

Risk Assessment - Final budget 2012/13

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	**Risk description**	**Risk Owner**	**Date raised**	**I**	**L**	**Score**	**Control**	**Action**	**Deadline**	**Responsible officer**	**Transferred to risk register**
1	If the council is unable to find long term solutions to bridge the MTFS gap it will may find difficult to prepare future budgets without making unplanned cuts in service provision.	Section 151 Officer	15 December 2010	3	3	9	Reduce	The council's approach to resolving the funding gap is managed by the 'Bridging the Gap' (BtG) programme. The council's commissioning programme aims to identify additional longer term solutions.	Ongoing during course of year	Section 151 Officer	
2	If the income targets are not sound robust then there is a risk that the income identified within the budget will not materialise during the course of the year.	Section 151 Officer	15 December 2010	3	3	9	R	Professional judgement is used to prepare budgets taking into account the current economic situation and previous performance. Regular monitoring and reporting of income targets to SLT / Cabinet identify any issues which require corrective action.	Ongoing during course of year	Section 151 Officer	
3	If when developing the strategy to meet the MTFS gap, the council does not make the public aware of its financial position and clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer	Director of Commissioning	15 December 2010	3	3	9	R	As part of the development of BtG and commissioning programmes there will need to be a clear communication strategy. Commissioning decisions will be based on customer needs and requirements and this should help address satisfaction levels.	Ongoing during course of year	Communications team to support the BTG programme	

	satisfaction may decrease.										
4	The MTFS assumes 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.	Strategic Director	15 December 2010	3	3	9	R	All shared services are operated under Prince 2 principles and are the responsibility of a named sponsor and dedicated project resource, with a clear business case. Risk logs are maintained for the shared service projects which are continually monitored and regularly reviewed with quarterly reports to Cabinet as part of ongoing corporate budget monitoring	Ongoing during course of year	Pat Pratley	
5	If over the life of the MTFS, the one off cost of new initiatives cannot be offset by savings there may be an increased dependency on the General Reserve.	Section 151 Officer	15 December 2010	3	3	9	R	Future realignment of reserves may be required in order to increase the General Reserve.	Ongoing during course of year	Mark Sheldon (working with SLT and Cabinet)	
6	If the council does not manage and deliver its commissioning agenda it may not have the flexibility to make the savings required in future years and the greater burden of savings may fall on the retained organisation	Section 151 Officer	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 during course of year	Director of Commissioning	

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

GROUP **Projected cost of 'standstill' level of service**	**2011/12 ORIGINAL £**	**2011/12 REVISED £**	**2012/13 ORIGINAL £**
Commissioning	2,942,800	2,872,650	3,164,200
Built Environment	1,166,850	1,262,166	813,600
Wellbeing & Culture	4,672,200	4,595,250	5,789,650
Resources	1,340,650	1,558,950	1,391,350
Operations	4,793,500	4,740,800	3,619,400
Strategic Directors	(16,450)	(1,450)	(81,250)
Programmed Maintenance (Revenue)	482,100	588,400	1,056,000
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	16,604,016	15,904,275
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	(2,990,024)	252,045
Proposed Growth recurring - Appendix 3			164,400
Proposed Growth one-off - Appendix 3			
Savings / Additional income identified - Appendix 4			(866,400)
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)	
Specific Grant in lieu of council tax freeze 2012/13			(199,000)
NET BUDGET	**14,077,293**	**14,077,293**	**13,715,920**
Deduct:			
Revenue Support Grant	(1,439,927)	(1,439,927)	(108,705)
National Non-Domestic Rate	(4,658,405)	(4,658,405)	(5,607,741)
Collection Fund Contribution	(59,500)	(59,500)	(34,000)
	(6,157,832)	**(6,157,832)**	**(5,750,446)**
NET SPEND FUNDED BY TAX	**7,919,461**	**7,919,461**	**7,965,474**
Band 'D' Tax	£187.12	£187.12	£187.12
Increase per annum			£0.00
Increase per week			£0.00
% Rise			0.00%

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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								
1	Wellbeing & Culture	Public Protection - Taxi Marshalls	To continue the service of providing taxi marshalls in the town centre to maintain safety in the nightime 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	Wellbeing & Culture	Arts Council Grant	Transitional support to Cheltenham Arts Council - subject to further review	5,000					
6	Built Environment	Building control income	To not increase building control fees in line with inflation, to reflect the current downturn in building control income levels. This will be offset by savings delivered from a staffing restructure - see BtG schedule (Appendix 4).	9,800	9,800	9,800			
7	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			
				164,400	**159,400**	**159,400**	-	-	-
	SUPPORTED GROWTH (FUNDED FROM CIVIC PRIDE RESERVE)								
8	Built Environment	Civic Pride	CBC contribution to East Promenade repaving by GCC, plus street furniture costs.				145,000		
9	Built Environment	Civic Pride	CBC contribution to West Promenade repaving by GCC.					100,000	
10	Built Environment	Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.				100,000		
11	Built Environment	Civic Pride	Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use.				100,000		
12	Built Environment	Civic Pride	Scheme for St.Mary's churchyard				50,000		

Ref	Division	Project Name	Description	Revenue Costs			Capital Costs		
				2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
				£	£	£	£	£	£
13	Built Environment	Civic Pride	Public Space Designer	35,000	35,000				
				35,000	**35,000**	**-**	**395,000**	**100,000**	**-**
	SUPPORTED GROWTH (FUNDED FROM JOINT CORE STRATEGY RESERVE)								
14	Built Environment	Joint Core Strategy	CBC contribution to Joint Core Strategy Costs	30,000	30,000	30,000			
				30,000	**30,000**	**30,000**			
	SUPPORTED GROWTH (FUNDED FROM CAPITAL RESERVE)								
15	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		
16	Resources	IT Infrastructure	Upgrade of Civica system to ensure PCI compliancy.					56,200	
17	Resources	IT Infrastructure	Virtual e-mail appliance licence -setting up of e-mail connection between all GO Partner authorities.				22,000		
18	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		
				-	**-**	**-**	**292,000**	**56,200**	**-**
	SUPPORTED GROWTH (FUNDED FROM PROPERTY R&R RESERVE)								
19	Programme Maintenance	Carbon Reduction	Evaporation system in ICT Server Room	13,000					
20	Programme Maintenance	Carbon Reduction	New LED pool lights at Leisure@	10,000					
				23,000	**-**	**-**	**-**	**-**	**-**

Ref	Division	Project Name	Description	Revenue 2012/13 £	Revenue 2013/14 £	Revenue 2014/15 £	Capital 2012/13 £	Capital 2013/14 £	Capital 2014/15 £
	SUPPORTED GROWTH (FUNDED FROM GENERAL RESERVE)								
21	Operations	Local Authority Joint Waste Company	Depot Operations Manager post funded for 2012/13, funded from General Reserve	30,000					
22	Built Environment	Citizen Advice Bureau	Transitional support to Citizens Advice Bureau for 2012/13 and 2013/14 funded from the General Reserve - subject to business case	30,000	30,000				
				60,000	**30,000**				

	2012-13 Savings / Addnl Income £	Built into Base Budget 2012/13 £	Not built into Base Budget 2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	FTE Losses 2011/12	FTE Losses 2012/13	Indicative equality / diversity impact at draft budget stage	Service / Risk Implications
CORPORATE											
RESTRUCTURE OF ADMINISTRATION SUPPORT FOR SENIOR LEADERSHIP TEAM	15,000	0	15,000					1.0		No specfic 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 may be additional pressure on SLT to undertake more administration, diverting valuable time from more critical work.
COMMISSIONING											
REVIEW OF CORPORATE COMMUNICATIONS	20,000		20,000					1.0		No specfic 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.	It will be important to ensure that the public have the right level of information to access services.
ONE LEGAL REORGANISATION	20,000	0	20,000							No specfic 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.	None identified.
LOCAL GOVERNMENT ASSOCIATION (LGA) - SAVING RESULTING FROM REDUCTION IN MEMBERSHIP COST				300		300				None identified	None identified.
ORGANISATIONAL DEVELOPMENT & CHANGE											
CORPORATE TRAINING - INCREASED USE OF LMS LEARNING GATEWAY	2,000	0	2,000	2,000	2,000					None identified.	Will need to watch capacity if developing bespoke e-learning.
REMOVE ESSENTIAL/REGULAR CAR USER STATUS	62,100	0	62,100	7,000	4,500					None identified.	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 121s. May be reduced performance from reduced allowance.
OPERATIONS											
ESTABLISHMENT OF LOCAL AUTHORITY JOINT WASTE COMPANY WITH COTSWOLD DISTRICT COUNCIL	83,000	0	83,000	93,000						Due to the size of this project, a separate equality impact has been carried out. The assessment identifed that the project would be potentially positive for all protected equality groups. Seven actions have been identified which will be taken forward during the course of the year.	
ESTABLISHMENT OF LOCAL AUTHORITY JOINT WASTE COMPANY WITH COTSWOLD DISTRICT COUNCIL - ROLE OF CLIENT OFFICER FOR LAC	-30,000	0	-30,000							As above	
WELLBEING & CULTURE											
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.	There is continued pressure on all income generating activities due to the ongoing downturn in the economy and the associated risk of delivering revenue targets.
* 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 apllication of £250k towards theatre refurbishment costs and loan application for £1m (total £30k over 6 years)	5,000	5,000	0	5,000	5,000	5,000				The grant reduction may impact on the Everyman's ability to provide outreach work which is particularly valued by community groups; the everyman has focused recently on work with BME communities. Director of Wellbeing & Culture to keep an overview of equality impacts.	May impact on the operations of the Everyman Theatre. Whilst the capital investment project is now complete and the Theatre is well positioned to deliver its business plans, the continuation of the recession and with the downturn in the economy may have a bearing on the delivery of budgets.
* REDUCTION IN GRANT FUNDING TO CHELTENHAM FESTIVAL OF PERFORMING ARTS	10,800	10,800	0							The grant reduction may impact on the financial sustainability of the Cheltenham Festival of Performing Arts which provides performance opportunities for children and young people. Director of Wellbeing & Culture to keep an overview of equality impacts.	May impact on the operation and sustainability of the Festival.
* 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.	
ADDITIONAL INCOME FROM NEW ALLOTMENT PLOTS	2,000	0	2,000	5,000						Introduction of 100 new allotment plots, subject to planning permission, estimated to be available early 2013. Part year additional income in 2012/13.	
LEISURE & CULTURE COMMISSIONING EXERCISE - 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.	Some services are highly price sensitive; if the price of some products is increased beyond market tolerances the income target will not be achieved and perceived value for money / competitive edge lost.
- 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.	If the uptake onto the scheme and its varied components is not achieved then the associated income will not be achieved. New student fee structures and changes in cost of living may also impact upon this.
- Restructuring Leisure@ housekeeping and customer services teams	45,000	45,000	0							None identified.	Restructures have already been completed.
- 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.	If the development of these sessions does not result in growth in attendances and bookings the income will not be achieved.
- Income from the University of Gloucestershire using Leisure@ to provide the hall 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.
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.	£30k of the BtG savings will be delivered through the restructure of the Box Office which will not impact on service delivery. The £18k booking fee increase is dependant upon sustained ticket sales which, as previously stated, is under continued pressure due to the ongoing downturn in the economy.

	2012-13 Savings / Addnl Income £	Built into Base Budget 2012/13 £	Not built into Base Budget 2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	FTE Losses 2011/12	FTE Losses 2012/13	Indicative equality / diversity impact at draft budget stage	Service / Risk Implications
ART GALLERY & MUSEUM PROJECTED SAVING IN NET RUNNING COSTS Savings which follow the reopening of the new Art Gallery & Museum as per the business case projections supplied to the Heritage Lottery Fund. Further additional one off savings will be generated during the temporary closure in 2011/12 and 2012/13.				50,000						None identified.	Business case is dependent upon increased turnover and commercial activity.
RESOURCES											
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 and customers which will need to be subject to a stand alone equality impact assessment.	There is less resource to deal with any future additonal demands on the service resulting from the move to universal credit.
FLEXIBLE RETIREMENT OF CUSTODIAN	5,000	0	5,000						0.4	No specfic 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 manage building issues at the Municipal Offices.
RENEGOTIATION OF REGENT ARCADE LEASE (Cabinet approved on 26th July 2011)	75,000	75,000	0							None identified.	None
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.
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 resources available which could lead to a deterioration in the upkeep of the councils buildings and the towns infrastructure .
RESTRUCTURE IN REVENUES DEPARTMENT (INCLUDING RETIREMENT)	15,000	0	15,000						0.5	No specfic 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 additonal demands on the service resulting from the move to universal credit.
GO PARTNERSHIP: FINANCIAL SERVICES & HUMAN RESOURCES Initial business case assessment of the GO Partnership implementation of an ERP system (Finance /HR/procurement) and the creation of centres of excellence for processing transactions (payroll, payments, invoicing) / production of basic reporting / statement of accounts, VAT, government returns etc.										None identified.	Transactional processing (accounts receivable, payable, payroll etc.) may not undertaken locally and there is likely to be more self service by managers and users of the systems. The resulting significant cultural change which will require support / resourcing in order to ensure that the transition is successful.
Shared Service savings				202,000							
Indirect savings from the retainment organisation from efficiency of the shared service (to be identified by the retained organisation)				30,000							
Procurement savings				37,700							
BUILT ENVIRONMENT											
MERGING ON STREET AND OFF STREET PARKING TEAMS	10,000	0	10,000					1.0		No specfic 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.
MERGER OF STRATEGIC LAND USE AND HOUSING ENABLING FUNCTIONS	14,500	0	14,500					2.0		No specfic 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.
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	4,000	4,000	4,000				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.
REORGANISATION OF ECONOMIC DEVELOPMENT	25,000	0	25,000	5,000					1.0	No specfic 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.
RESTRUCTURE OF BUILDING CONTROL	9,800	0	9,800							No specfic 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.	The proposal to not inflate building control income by inflation will be funded by savings generated from a staffing restructure, resulting in a nil net saving - see Growth Schedule (Appendix 3).
RESTRUCTURE OF BUILT ENVIRONMENT DIVISION	25,000	0	25,000						1.0	No specfic 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.
SINGLE ADVICE CONTRACT RE-TENDER	25,000	0	25,000							The specification for the advice and inclusion contract was built on an understanding of needs of our customers and therefore focused on those groups who are least able to help themselves. The assessment process considered the tenders against this criteria and also about against other equality considerations such as access to the service.	No significant risks to the authority have been identified.
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. The Director of Built Environment to keep an overview of any potential equality impacts.	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	**1,120,300**	**253,900**	**866,400**	**441,000**	**15,500**	**9,300**	**0**	**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 Movement Revenue	2011/12 Movement Capital	2011/12 Reserve Re-alignment	31/3/12	2012/13 Movement Revenue	2012/13 Movement Capital	2012/13 budget and one off growth	31/3/13
	EARMARKED RESERVES		£	£	£	£	£	£	£	£	£
	Other										
BR01	Single Status Reserve	To fund implementation of Single Status	(14,247.00)	3,600.00		10,647.00 *	0.00				0.00
BR02	Pension Reserve	To fund future pension liability	(28,373.38)	(50,000.00)			(78,373.38)	(100,000.00)			(178,373.38)
BR04	Economic Development Reserve	To fund future economic studies	(14,200.00)				(14,200.00)				(14,200.00)
BR05	IBS License Reserve	To fund cost of IBS license paid up front	(148,700.00)				(148,700.00)				(148,700.00)
BR06	Keep Cheltenham Tidy Reserve	Keep Cheltenham Tidy campaign - scheme contributions	(626.27)				(626.27)				(626.27)
BR08	Grave Maintenance Reserve	Long-term grave maintenance	0.00				0.00				0.00
BR09	Cultural Development Reserve	To fund future arts facilities/activity	(22,361.00)				(22,361.00)	15,000.00			(7,361.00)
BR10	LABGI Reserve	To fund future economic / cultural development	(76,052.86)	45,000.00		21,052.86 *	(10,000.00)	10,000.00			0.00
BR12	House Survey Reserve	To fund cyclical housing stock condition surveys	(105,024.83)	24,500.00			(80,524.83)	(7,500.00)			(88,024.83)
BR13	Twinning Reserve	Twinning towns civic visits to Cheltenham	(17,400.00)				(17,400.00)				(17,400.00)
BR14	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	(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	Insurance reserve for stolen jewellery	(28,066.11)	11,000.00			(17,066.11)				(17,066.11)
BR26	Museum Shop Reserve	Accumulated profits held for Museum shop improvements	0.00				0.00				0.00
BR27	TIC Shop Reserve	Accumulated profits held for TIC shop improvements	(11,729.18)	11,700.00			(29.18)				(29.18)
BR30	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	(159,971.44)	38,600.00			(121,371.44)				(121,371.44)
BR42	Vehicle Leasing Equalisation Reserve	Purchase of vehicles and equipment	(116,085.24)				(116,085.24)				(116,085.24)
BR45	Joint Core Strategy Reserve	To fund Joint Core Strategy	(234,580.36)				(234,580.36)	(120,000.00)		30,000.00	(324,580.36)
BR54	Legal Staff Reserve	To fund set-up costs of One Legal	(19,350.00)	19,350.00			0.00				0.00
BR58	Civic Pride	To pump prime civic pride initiative / match funding	(1,083,197.60)	258,100.00			(825,097.60)	226,900.00		430,000.00	(168,197.60)
			(4,428,058.79)				**(3,438,598.93)**				**(1,488,198.93)**
	Repairs & Renewals Reserves										
BR52	Commuted Maintenance Reserve	Developer contributions to fund maintenance	(263,629.37)	39,000.00			(224,629.37)	39,000.00			(185,629.37)
BR78	Highways Insurance Reserve	County highways - insurance excesses	(15,000.00)				(15,000.00)				(15,000.00)
BR83	Council Tax/Benefits IT Reserve	Replacement fund to cover software releases	(30,000.00)				(30,000.00)				(30,000.00)
BR88	I.T. Repairs & Renewals Reserve	Replacement fund	(133,064.70)	79,400.00			(53,664.70)	6,300.00			(47,364.70)
BR89	Planned Maintenance Reserve	20 year maintenance fund	(1,025,929.12)	(44,600.00)	524,000.00		(546,529.12)	163,000.00	131,000.00	223,000.00	(29,529.12)
			(1,467,623.19)				**(869,823.19)**				**(307,523.19)**

PROJECTION OF RESERVES TO 31ST MARCH 2013

Code	Reserve	Purpose of Reserve	31/3/11	2011/12 Movement Revenue	2011/12 Movement Capital	2011/12 Reserve Re-alignment	31/3/12	2012/13 Movement Revenue	2012/13 Movement Capital	2012/13 budget and one off growth	31/3/13
	EARMARKED RESERVES		£	£	£	£	£	£	£	£	£
	Equalisation Reserves										0.00
BR63	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	(119,655.60)	39,100.00			(80,555.60)	39,100.00			(41,455.60)
BR64	Planning Appeals Equalisation	Funding for one off apeals cost in excess of revenue budget	(38,955.09)				(38,955.09)				(38,955.09)
BR65	Licensing Fees Equalisation	Past income surpluses to cushion impact of revised legislation	(28,355.00)	17,000.00			(11,355.00)				(11,355.00)
BR66	Interest Equalisation	To cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses	(2,787,594.76)	2,500,000.00			(287,594.76)				(287,594.76)
BR72	Local Plan Equalisation	Fund cyclical cost of local plan inquiry	(55,030.00)	55,000.00			(30.00)				(30.00)
BR76	Elections/Electoral Reg. Equalisation	Fund cyclical cost of local elections	(11,500.00)	(61,200.00)			(72,700.00)	72,700.00			0.00
			(3,041,090.45)				**(491,190.45)**				**(379,390.45)**
	Reserves for commitments										
BR91	Old Year Creditor Rsve - RR	Approved budget carry forwards	**(351,200.00)**	351,200.00			**0.00**				**0.00**
	CAPITAL										
BR77	Capital Reserve - GF Housing	To fund Housing General Fund capital expenditure	(902,476.15)		370,000.00		(532,476.15)				(532,476.15)
BR92	Capital Reserve - GF	To fund General Fund capital expenditure	(901,799.68)	(751,693.00)	938,300.00		(715,192.68)	(700,000.00)	912,000.00	292,000.00	(211,192.68)
			(1,804,275.83)				**(1,247,668.83)**				**(743,668.83)**
	TOTAL EARMARKED RESERVES		**(11,092,248.26)**				**(6,047,281.40)**				**(2,918,781.40)**
	GENERAL FUND BALANCE										
BS01	General Balance - RR	General balance	(2,619,507.03)	393,057.00	109,400.00	(31,699.86)	(2,148,749.89)	53,455.00		60,000.00	(2,035,294.89)
			(2,619,507.03)				**(2,148,749.89)**				**(2,035,294.89)**
	TOTAL GENERAL FUND RESERVES AND BALANCES		**(13,711,755.29)**	**2,990,024.00**	**2,525,700.00**	**0.00**	**(8,196,031.29)**	**(252,045.00)**	**2,459,000.00**	**1,035,000.00**	**(4,954,076.29)**
	Projected Annual Reduction						**5,515,724.00**				**3,241,955.00**

* No longer required for original purpose

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	219,400					
DC4002	C	Gloucestershire Airport	Contribution towards the redevelopment project - £1.2m loan			1,200,000	0	1,200,000				
		ICT										
DC3211	C	Working Flexibly	Deliver council services at a time and place which suit the customer. Implementation of Citrix environment to deliver business apllications 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	Pittville Park Boathouse	Enhancements to Pittville 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-jointing High Street/Promenade pedestrianised area	Re-jointing 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									
HC7405	PSDH	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06			324,400	324,400					
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			
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				
		OPERATIONS										
	C	Vehicles and recycling caddies	Replacement vehicles and recycling equipment				1,446,153					
		BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:						292,000	200,000	200,000	200,000	200,000

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
				£	£	£	£	£	£	£	£	£
		CAPITAL SCHEMES - RECLASSIFIED AS REVENUE										
DC1066	C	Land & Property presale costs	Property & Legal costs associated with the developments									
LC6005	C	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	353,100	342,843	10,200	10,200					
EC0054	C	Depot Rationalisation	Costs associated with incorporating Tewkesbury Borough Council within the Depot site at Swindon Road	300,000	272,780	27,200	27,200					
		TOTAL CAPITAL PROGRAMME				**8,321,600**	**9,244,253**	**9,829,000**	**1,116,000**	**1,056,000**	**1,056,000**	**1,056,000**

Code	Funded by:	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
G	Government Grants							
SCG	Specified Capital Grant (DFG)	306,000	306,000	306,000	306,000	306,000	306,000	306,000
LAA	LAA Performance Reward Grant	60,000	60,000	60,000	60,000			
P	Partnership Funding		768,000	2,854,000				
PSDH	Private Sector Decent Homes Grant	324,400	324,400					
HLF	Heritage Lottery Funding		750,000					
HRA	Housing Revenue Account Contribution	100,000	100,000					
R	Property Planned Maintenance Reserve	655,000	524,000	131,000				
R	AG&M Development Reserve	1,000,000	584,000	1,416,000				
S	Developer Contributions S106	76,500	54,000	50,000	50,000	50,000	50,000	50,000
C	General Balances	109,400	109,400					
C	HRA Capital Receipts	390,000	390,000					
C	GF Capital Receipts		120,000					
C	HIP Capital Reserve	370,000	370,000					
C	Prudential Borrowing	3,600,000	3,846,153	4,100,000				
C	GF Capital Reserve	1,330,300	938,300	912,000	700,000	700,000	700,000	700,000
		8,321,600	**9,244,253**	**9,829,000**	**1,116,000**	**1,056,000**	**1,056,000**	**1,056,000**

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1. Introduction

1.1 The Medium Term Financial Strategy (MTFS) is the council's key financial planning document for the General Fund budget. It sets out and considers the financial implications of the council's objectives and priorities and factors in financial pressures, including reducing government funding. The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the council to achieve its vision, aims and ambitions over the next 5 years (2012/13 – 2017/18).

1.2 The council is committed to maximising the use of scarce resources and directing resources towards its priorities whilst keeping council tax at an affordable level. The MTFS is reviewed regularly during the budget process and reported to Members at the budget setting annually.

1.3 This year's review is once again overshadowed by the national economic climate. The council faces a major challenge in managing the impact of the recession on budgets and services, including the impact of sustained low interest rates coupled with tight government grant settlements.

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

2. Links to other council plans

2.1 Cheltenham Borough Council's Corporate Strategy 2010 to 2015 was agreed in March 2010. The strategy sets out what the council is hoping to achieve over the next five years and what actions were planned to be taken in the first year (2010/11) to support these longer-term plans.

2.2 The corporate strategy provides an over-arching long term framework for the MTFS, annual budget and action plan which will be reviewed and updated annually.

The council's objectives

2.3 The council agreed that it should move to fewer high-level objectives to help us be clearer about our priorities and that these objectives must reflect the reality of community needs and provide a framework for community outcomes.

2.4 The strategy sets out the following three community objectives:

- Enhancing and protecting our environment;
- Strengthening our economy; and
- Strengthening our communities.

2.5 These are supported by two cross-cutting objectives of:

- Enhancing the provision of arts and culture; and
- Ensuring we provide value for money services that effectively meet the needs of our customers.

The council's outcomes

2.6 The outcomes are critical in that they describe the improvements we will make to improve the well-being of the whole population of Cheltenham. By putting outcomes centre-stage in our strategy, we are making a commitment that our customers and communities will judge us by how well we are improving the quality of life rather than other measures of success.

2.7 Some of these outcomes we will be able to deliver by ourselves, but for many other outcomes we will have to work in partnership with other organisations.

2.8 From the consultation activities and the needs analysis we are proposing a set of outcomes the council should be focusing on.

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

2.9 The outcomes also relate back to the nine community aims set out in Cheltenham's Sustainable Community Strategy. This means that the council is continuing its commitment to support the delivery of the community strategy.

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

3. Financial projections – revenue resource requirements

3.1 The key aim of the MTFS is to develop a series of financial projections to determine the longer term financial implications, in order to deliver the aims set out in the council's business plan.

3.2 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability. The package of measures required to equalise the two forms the financial strategy to 'bridge' the funding gap for each financial year.

3.3 The projections of the funding gap based on council tax increases of 2.5%, 3.5% and 5% are shown in Table 1.

Table 1: Projection of Funding Gap	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		13,715,920	13,652,774	13,635,945	13,888,167	14,137,376
Increased costs of existing services						
General Inflation		200,000	200,000	200,000	200,000	200,000
Employee related expenditure		212,200	190,000	358,800	366,100	373,700
Pension costs - 2004 Revaluation		50,000				
Pension costs - 2010 Revaluation		82,000				
Pension costs - 2013 Revaluation			120,000	120,000	120,000	120,000
Landfill Tax		41,100	41,100			
Income						
Fees and Charges		(280,400)	(290,000)	(299,700)	(309,700)	(319,900)
Investment Income		(32,100)				
Specific grant to fund council tax freeze		199,000		197,987		
Reserves						
Property repairs & renewals fund		200,000	200,000	200,000	107,000	
Projected Net Cost of Service	**13,715,920**	**14,387,720**	**14,113,874**	**14,413,032**	**14,371,567**	**14,511,176**
Government Grants	(5,716,446)	(5,430,624)	(5,159,093)	(5,159,093)	(5,159,093)	(5,159,093)
Collection Fund surplus	(34,000)					
Council Tax (assumes 2.5% increase from 2012/13)	(7,965,474)	(8,222,150)	(8,476,852)	(8,729,075)	(8,978,284)	(9,223,912)
Projected Funding Gap	**-**	**734,946**	**477,929**	**524,864**	**234,190**	**128,171**
Cumulative Funding Gap		**734,946**	**1,212,875**	**1,737,739**	**1,971,929**	**2,100,100**
Funding Gap Projections:						
Council Tax (assumes 3.5% increase)		(654,730)	(391,937)	(433,087)	(136,644)	(24,892)
Cumulative Funding Gap		(654,730)	(1,046,667)	(1,479,754)	(1,616,398)	(1,641,290)
Council Tax (assumes 5.0% increase)		(534,406)	(217,563)	(241,773)	24,696	149,368
Cumulative Funding Gap		(534,406)	(751,969)	(993,742)	(969,046)	(819,678)

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

4. General

4.1 The net cost of services has been estimated by using the ‘approved’ 2012/13 base budget (subject to council approval on 10th February 2012) as the base for future projections through to 2017/18.

4.2 General inflation on supplies, services, and non-domestic rates has been projected based on previous detailed information. Gas and electricity prices will remain static until the contracts come up for renewal at the end of April 2012. Current feedback from our advisors indicates that the council should not expect a significant price rise when entering into new contracts. Work is ongoing in respect of the energy tenders and the council will aim to buy from the market at the most appropriate time to get the lowest prices, given the best information available. Gas transportation and distribution charges have increased by around 2% since April 2011. This equates to around £8,400 additional annual cost. Further price increases may occur over the length of the MTFS, although at present these are unknown.

4.3 The retail cost of fuel is heavily linked to the global cost of oil and the Dollar/Sterling exchange rate. The recent increase in the global cost of oil appears to have now stabilised, however, current prices are still fluctuating resulting in an uncertain picture for the future.

4.4 Major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement.

Employee related costs

4.5 In line with the 2010 budget report a pay freeze on public sector pay settlements (excluding increments) in 2011/12 and 2012/13 is factored into the projections. The Chancellor's autumn statement announced that public sector pay increases for 2013/14 and 2014/15 will be capped at 1%. Pay awards in local government are covered by collective bargaining between employers and trade unions and this is not subject to direct control from central government. However, it is reasonable to assume that the local government employers will mirror what happens in the rest of the public sector and this assumption has been built into the projections. Pay settlements for the years 2016/17 and onwards are estimated to be 2% per annum.

4.6 The net cost of service assumes an employee turnover saving of 3% of gross pay budget.

4.7 The council is part of the Gloucestershire Pensions Fund, which is administered by the County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary. The triennial revaluation of the Fund was based on the position as at 31st March 2010, found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.

4.8 Contribution rates are calculated on an individual basis for each participating employer. For the council's element of the fund, the funding level was assessed at 66% (compared with 75.3% in 2007), with a shortfall of £38.1m. The fund actuary is aiming for this deficit to be recovered over a 20 year period, giving the following target contribution rates for the council (for this three-year valuation period):

- a 14.60% future service rate which should cover the liabilities scheme member's build up in the future, plus
- an annual lump sum past service deficit contribution of £1.525m, to cover the shortfall in the fund.

4.9 The Secretary of State for Communities & Local Government announced in November 2011 that new reforms to public service pensions will be introduced on 1st April 2014, with regulations in place from 1st April 2013. The single solution will be built on the basis of career average earnings and can include zero increases in employee contributions, provided that overall financial constraints set by the government can be met. The flexible retirement age will be built around the scheme's normal retirement age, equal to the State pension age, or 65, whichever is the later, and applies to both active members and deferred members (new scheme service only).

4.10 Following recent events, the Director of Resources (Section 151 Officer) has discussed the current position with the actuary who has indicated that, given the uncertainty over this area of activity future projections of potential increases in contributions resulting from the 2013 revaluation should be based on 1% per annum over remainder of the period of the MTFS.

Landfill tax

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

Fees and charges

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

Treasury management

4.13 Investment income from cash investments falls in 2012/13. This is largely due to maturing deposits being used to reduce temporary borrowing balances throughout the year. Whilst there is an option to take out prudential borrowing, it has been assumed for MTFS purposes that the capital programme will continue to be financed from capital receipts, grants (including S106 developer contributions), and revenue contributions and that borrowing will only take place if absolutely necessary.

4.14 Debt interest is forecast to be £32,100 favourable in 2013/14 as the impact of a maturing loan takes effect.

Specific grant – Council Tax freeze

4.15 The Government has confirmed a second year of council tax freeze grant equivalent to a 2.5% tax increase. Unlike 2011/12, the government has confirmed that this grant will only be payable in 2012/13 and this has been factored into the MTFS. For Cheltenham this equates to £199,000.

4.16 The council tax freeze grant of £197,987 to support a council tax freeze in 2011/12 has now been built into the government support grant. However, for financial planning purposes, it is assumed that this grant will cease at the end of the current spending review in 2015/16 and has been built into the projections.

Property maintenance

4.17 Current projections (as detailed in the amended 20 year maintenance programme) indicate a requirement to fund property maintenance of circa £1.4m per annum from revenue contributions which will be achieved in 2016/17.

Government support

4.18 The main issue in terms of funding availability is the estimation of the level of Government grant which the council will receive. Although this has been set for the period to 2012/13 as part of the Comprehensive Spending Review 2010 (CSR10), future settlements may impact on effective longer-term financial planning and sustainability.

4.19 Given the severity of the cuts to funding levels, the two year proposal does not provide stability and predictability in local government funding.

4.20 For the purpose of projecting the funding gap, it is estimated that the level of government grant and share of the national non domestic rates pool will decrease by a further 5% in 2013/14 and 5% reduction in 2014/15 (i.e. a 31.28% reduction overall for the period of the spending review CSR10).

Council Tax

4.21 Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates. This is assessed annually although the current economic climate could have an adverse impact on this source of one off funding and therefore no increases have been assumed for the period covered in this MTFS.

4.22 The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The council's taxbase is expected to increase each year for the purposes of modelling the MTFS.

Funding gap

4.23 Given Government restrictions on local authorities increasing council tax and the subsequent reduction in government funding, the council has faced a significantly more challenging financial position. The latest projections indicate a gap of £2.1m for the period of the MTFS (2012/13 to 2017/18) assuming a 'standstill' position in central government funding with 2.5% annual increase in council tax. The improvement in the baseline 5 year projection reflects the following:

- impact of capping pay increases on pay
- delivery of the BtG programme savings in the earlier years
- achieving the target annual funding level for property maintenance

5. Strategy for 'bridging' the projected funding gap

5.1 The council could reduce the projected funding gap by increasing council tax above 2.5%. Council tax increases of 5% would generate an additional circa £200,000 income per annum although this approach would be unpopular in the current economic climate and the electorate now have the right under the Localism Act to call a referendum if it is felt that a council tax increase is too high.

5.2 The council has identified a number of work-streams which form the longer term strategy for 'bridging the gap' which are detailed below.

Service reviews and 'Systems Thinking'

5.3 The council is keen to ensure that services are of the highest quality and lowest cost. Service reviews, which involve benchmarking, have been used to support the commissioning programme. Also the council uses 'systems thinking' as a strategy for improving service delivery by:

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

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

Asset management

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

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

5.7 The asset base is under constant review to identify potential property disposals which could both raise capital resources (capital receipts) and reduce the incidental costs of holding properties (e.g. on-going maintenance costs, business rates, etc). Similarly, vacant properties are being reviewed to identify alternative uses that might better support the council's business plan objectives and generate an income.

Shared services

5.8 There has been major progress in the establishment of shared service arrangements with some significant achievements being made. The council has established a shared audit service with Cotswold District council and West Oxfordshire District council and shared Legal and Building Control services with Tewkesbury Borough council.

5.9 A more significant and complex piece of work is the programme for a shared Enterprise Resource Planning (ERP) system to replace individual payroll, HR, finance and procurement systems with 3 other districts (Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council) and Cheltenham Borough Homes. This system will become the platform for a full shared service which will help to reduce the cost of 'back office' functions and management structures.

5.10 Additionally, we're uniting with Cotswold District Council to form a company called Ubico Ltd from April 2012, a company which will provide high quality environmental services including waste and recycling collections and street cleaning, producing savings for both councils.

Commissioning

5.11.1 Commissioning is defined by the Cabinet Office as "the cycle of assessing the needs of people in an area, designing and then securing appropriate service". Commissioning requires better partnership/cross agency working, prioritisation to ensure resources (finance, people and assets) are used to best effect to deliver clearly defined outcomes which all parties to the commissioning approach are aligned behind.

5.11.2 By adopting this strategic approach services will be transformed, where warranted, and may not necessarily as at present be provided through a directly employed workforce; a mixed economy (sharing services, outsourcing, creation of "not for profit" vehicles, third sector) approach to delivery of services may result. The key tests for commissioning will be good quality services, with outcomes for the citizen and community at the heart of their provision and which have long term financial viability.

5.12 The MTFS assumes some initial savings targets from commissioning from the initial review of the services stage. Whilst there are currently no targets for specific commissioning projects there is an expectation, from within the organisation and amongst members, that this approach will deliver savings over the period of the MTFS.

The residual funding gap

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

Table 2: Projection of Residual Funding Gap	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Projected Funding Gap @ 2.5% Council Tax (Table 1)	**734,946**	**477,929**	**524,864**	**234,190**	**128,171**
Identified Work-streams					
Service Reviews	(18,300)	(10,500)	(4,300)		
Asset Management	(10,000)	(5,000)	(5,000)		
Shared Services	(269,700)				
Commissioning	(93,000)				
Other Major Projects	(50,000)				
Projected Residual Funding Gap	**293,946**	**462,429**	**515,564**	**234,190**	**128,171**
Cumulative Projected Residual Funding Gap	**293,946**	**756,375**	**1,271,939**	**1,506,129**	**1,634,300**

5.14 It should be noted that the current MTFS does not assume any recovery in the current economic climate and therefore, the view could be taken that the current MTFS predicts the worst case scenario.

5.15 The council is seeing the impact of the economic downturn on many services. As the economic crisis has deepened, the council has witnessed a more significant reduction in income levels for many of its service areas resulting in the need to revise income estimates further downwards. The income from development control, property rentals, land charges and car parking has declined to unprecedented levels. In addition, the Bank of England base rate cut to 0.5% has resulted in a significant reduction in the base budget for investment interest.

5.16 Recovery within the economy over the course of the current MTFS would obviously assist in closing the projected funding gap although some costs (e.g. pay awards) may also increase.

6. Financial projections – Capital resource requirements

6.1 The council's capital strategy is geared towards ensuring the maximisation of resources available to the council.

6.2 The council has budgeted to make a revenue contribution to capital outlay (RCCO) Capital Reserve of £700,000 per annum and this is now embedded within the base budget. This reserve funds part of the capital programme which generally consists of 3 areas of expenditure (i) replacement of play equipment (ii) replacement of CCTV equipment and (iii) mandatory costs of disabled facilities grant, totalling £500,000. Assuming additional one off schemes of circa £200,000, the council has an approximate capital programme to be funded from RCCO of £700,000 annually.

6.3 The remainder of the capital programme is funded from other sources e.g. specific grants. In order to progress new capital schemes not already identified within the MTFS, the council will need to prioritise the use of available resources detailed in the Capital Strategy e.g. potential receipts from the sale of Midwinter site and North Place / Portland Street car parks, consider the of other assets or prudential borrowing.

7. Financial projections - reserves

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

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

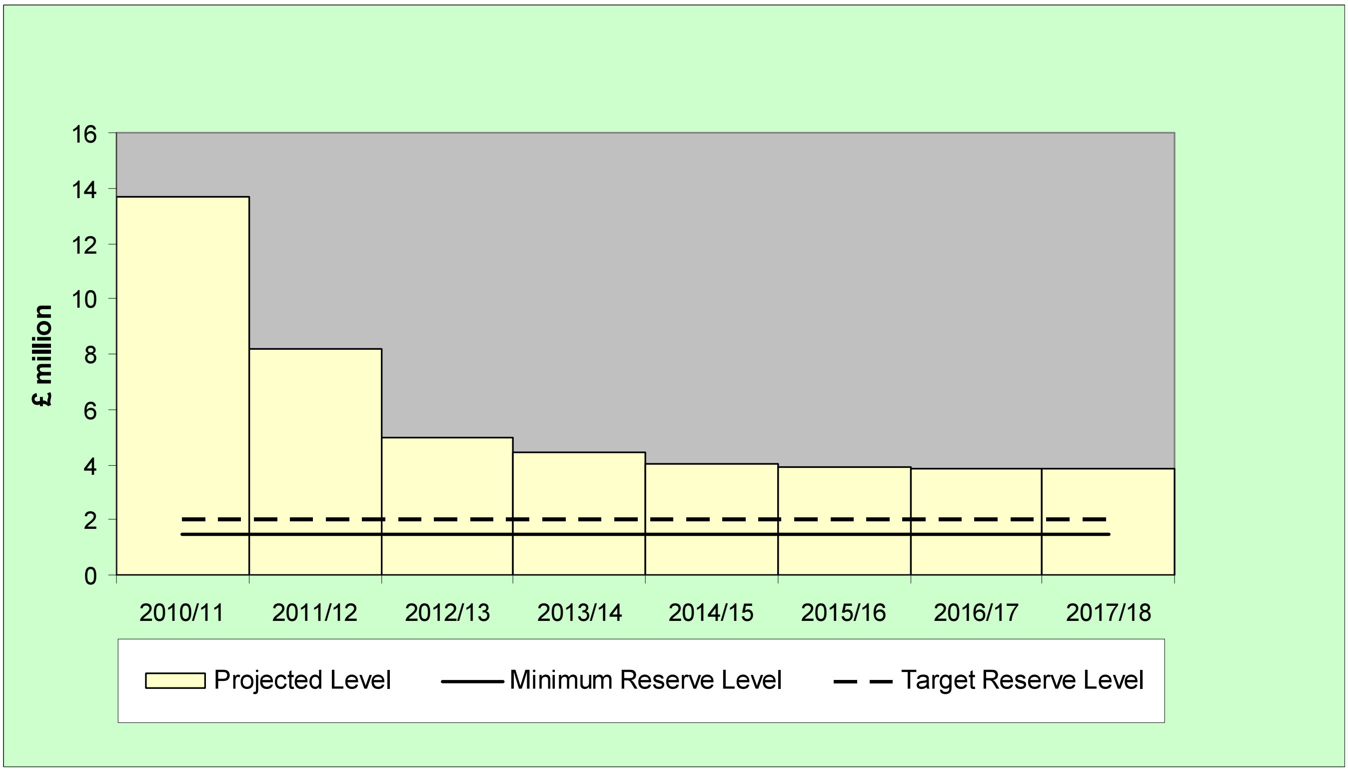
- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds (earmarked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

7.3 The council has, over a number of years, earmarked significant funds for specific reserves. These are reviewed twice yearly by full council under the guidance of the Section 151 Officer. Over the course of this MTFS, the value of earmarked reserves will be reduced as they are used to finance planned expenditure. Also, the reserve used to finance the capital programme and property maintenance will reach the levels required to fund existing commitments within this MTFS

7.4 The proposed net budget requirement for 2012/13 is £13,715,920, which includes a net transfer to reserves of £252,045. When taking into account the proposals to support one-off growth in 2012/13 and revenue contributions used to fund the capital programme, the level of reserves held by the council is projected to be £4,954,076 by 31st March 2013.

7.5 The projected position for General Fund reserves to 2017/18 is shown below in Table 4:

Table 4: General Fund Reserves Projection 2010/11 to 2017/18



7.6 In view of the current economic climate, the Section 151 Officer has maintained that General Reserves should be maintained in the range of £1.5m to £2m.

7.6.1 A review of the adequacy of the level of reserves remains a key element of the Section 151 Officers annual review of the budget.

8. Working in partnership

8.1 Partnerships form the basis of an increasing range of the council's services and extend from joint activities within a loose working arrangement to complex and formally structured vehicles for service delivery.

8.2 The council welcomes the opportunity to work with partner organisations to deliver our proposed outcomes as this adds value for the taxpayers of Cheltenham but will always seek to ensure that the:

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

8.3 Some of the areas that we are working in partnership include:

- We have established a joint local authority company with Cotswold District Council that will deliver a range of environmental services including waste and recycling collections and environmental maintenance;

- We work with a wide range of community groups such as friends of groups, Tidy Cheltenham, Cheltenham in Bloom, who are leading the way in improving their local environments;
- We are working in partnership with Gloucestershire County Council and other partners to coordinate the Cheltenham Local Development Taskforce project that will result in significant investment into the borough to secure its longer-term economic success;
- We work in partnership through the Public Sector Employment Partnership to develop a range of workforce development initiatives such as improved NVQ training and the apprenticeship scheme;
- We work with the Cotswold and Forest destination management organisation to ensure that there is a coordinated approach to promoting the county;
- The council has over 4,500 properties which are managed by Cheltenham Borough Homes which is our Arms Length Management Organisation (ALMO);
- Gloucestershire NHS and the council jointly-fund a Healthy lifestyles development officer who delivers a programme of activities in the borough to improve their health and wellbeing;
- We provide a range of grant funding to voluntary sector partners who are able to deliver cost effective services to their communities, including Gloucestershire Association for Voluntary and Community Action which is responsible for co-ordinating and representing the voluntary sector in the town;
- We support a wide range of organisations that are providing a diverse range of arts and cultural activities in the borough such as Cheltenham Festivals and the Everyman Theatre.

9. Areas of uncertainty associated with the MTFS

9.1 The review has also highlighted a significant number of areas where the impact on revenue spending cannot be quantified with sufficient accuracy, at this point in the process. The 'uncertainties' associated with the MTFS include the following:

VAT on car parks

9.2 The Isle of Wight (I.O.W.) local authority, along with three others, successfully argued at a VAT Tribunal, that they should not have to charge VAT on off-street car parking. Total claims have been lodged, including 2010/11, totalling £12,618,336. Cheltenham Borough Council will continue to account for VAT on off-street car parking but will also continue lodging claims with HMRC for repayment, in order to protect its position.

Compound interest claim

9.3 The 'Sempra Metals' case was brought before the High Court to determine whether taxpayers should be entitled to compound interest on overpaid VAT. The High Court agreed this in principal but allowed the six year time limit under the Limitation Act to stand meaning their claim falls out of time. However, the time limit point has been appealed to the Court of Appeal.

9.4 Following the High Court's decision, the council, under advisement, pursued a compound interest claim in the High Court. This followed claims being pursued by other local authorities, including Bristol City Council. A further case for compound interest was put forward by 'Littlewoods'. In January 2012, the ECJ released the opinion of the Advocate General ("AG") on the case which although not binding on the ECJ tends to be followed in the majority of cases.

9.5 The AG considered two EU law principles when looking at UK statute (which currently awards interest only on a simple basis). She concluded that awarding only simple interest did not breach the EU law principle of effectiveness, and said that it was for the national court to make a separate reference to the ECJ if it considered that there might be a breach of the principle of equivalence of treatment (i.e. that reclaims based on domestic law were treated more favourably than reclaims based on EU law).

9.6 If the ECJ follows this Opinion, it will mean that taxpayers are highly unlikely to receive any compound interest, i.e. any additional payment of interest beyond whatever simple interest they have already received. This Opinion is perhaps unsurprising in the context of the economic climate across the European Union, but it appears to take an unusual approach on a number of points of law. Therefore it remains possible (but no more than that) that the ECJ could take a different view.

9.7 It therefore appears unlikely at present that the council will be successful in its claim of upwards of £583k, although this position will be continually monitored.

Adequacy of capital resources and property repairs and renewals fund (reserve)

9.8 The Director of Resources has raised the issue of the long term financing of the council's capital programme on a number of occasions. The work to cost the Asset Management Plan remains outstanding. This work should identify additional funding requirements over the coming years and may consider alternative forms of financing, including prudential borrowing.

Trade refuse VAT claim

9.9 HMRC decided during Spring 2011 that local authority run trade waste services were outside the scope of VAT. It came to the conclusion that the running of such a service by a local authority was operated under Article 13 (1) of European Directive 2006/112. HMRC state that the requirement under Section 45(1) of the Environmental Protection Act 1990, which places a duty on waste collection authorities to collect waste from commercial premises if requested by the by the occupier of the premises, falls within this article.

9.10 Consequently, local authorities have been advised to submit claims for overpaid VAT on their trade waste income back to January 2008, which is the time frame within which claims can be made of HMRC.

9.11 CBC have instructed their VAT advisors, LAVAT, to work with them on this claim, and will be robustly presenting a case to HMRC demonstrating that the service has been run at a "net cost" to the council and it will therefore not be 'unjustly enriched' by being repaid VAT.

New Homes Bonus

9.12 The government introduced the New homes bonus as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provides match funding of Council Tax for six years (based on national average for Band D property – i.e. £8,600 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).

9.13 Funding is not ring-fenced and is designed to allow the 'benefits of growth to be returned to communities'. Funding is split 80:20 between district and county authorities.

9.14 The government has made this a permanent feature of the local government finance system with an extra £450 million available nationally over the first two years, with additional costs being met from the redistribution of formula grant.

9.15 The Council will need to decide how it wishes to budget further NHB income, as it will be an important element of future financing arrangements, dependent on both the rate of housing delivery locally and how this compares with delivery in other authorities across England. However, housing projections are notoriously difficult to predict accurately over the longer term and will need to be assessed prudently in making any assumptions about likely resource availability.

Off-Street parking income

9.16 Income from off-street parking continues to fall for a number of reasons, including the downturn in the economy and changing shopping habits. The 2012/13 budget has been reduced by a further £100,000 to take account of this continued and sustained decline in income levels. It is not anticipated that this position will improve in the near future given the economic climate, and as a result inflationary increases have not been applied to car parking charges for 2012/13.

Proposals for Business Rate retention

9.17 Currently the Council collects £48m of business rates in Cheltenham which it pays into a central government pool and receives back some £4.7 million from the pool.

9.18 From April 2013 the government is proposing to allow authorities to retain a fixed percentage of any growth in business rates over and above inflation (RPI), as a means of encouraging authorities to promote development in their areas. In two tier areas as in Cheltenham any growth will be shared with the county council on an 80:20 basis with 80% going to the district council. This means the more an authority 'grows' its business rates, the more income it will retain.

9.19 However if business rates in an area grow by less than inflation or reduce as a result of the closure of businesses, some of the lost income will have to be borne by the local authorities for that area. There will be a 'safety net' to support authorities whose business rates drop by more than a set percentage, however the level at which this will operate is not yet known.

9.20 Any growth or reduction in business rates will be measured against each authority's position at 1 April 2013, which will be set through a system 'tariffs' (payments to) or 'top-ups' (receipts from) the government, reflecting the uneven distribution across the country of business rates due.

9.21 The changes, as with the proposals for changes in council tax benefit (see below), represent a major change in the way risk is shared with the government. When rates are pooled nationally (as now) the risk of a reduction in the amount collected during the year is borne nationally by the central pool. Under the proposals, although authorities get the benefit of any growth from 1 April 2013, they also bear the risk of reduced growth from that date, up to the safety net level.

9.22 Under the proposals the rate at which business rates are levied will continue to be set by the government. During the consultation period the council argued for this rate to be set by local authorities, as a means of mitigating the risk of reduced income, or as a minimum for there to be a safety net to protect authorities against large reductions in rates.

9.23 Also under the proposals authorities will be allowed to 'pool' their business rates with other authorities, should they wish. This would mean sharing not only any growth in rates over the pooled area but also the risk of reduced income. This may benefit areas like Cheltenham with tightly drawn boundaries and the potential for 'out-of-town' development.

9.24 Due to the lack of detail about how the scheme will work (e.g. the percentage of growth to be retained and the level at which the safety net will operate), it is very difficult to estimate the effect of the proposals on Cheltenham. It is possible that, given the potential growth from new developments in the town from 2013/14 that the council may benefit, however it will also need to bear the cost of reduced income should businesses in the town close or relocate. The council is working with councils in Gloucestershire to establish the impact of the proposals on the MTFS.

Localising support for Council Tax

9.25 Currently council tax benefit is payable to eligible tax payers based on a national scheme. The cost to the council (which is charged to the general fund) is met by a 100% subsidy from the government. In addition reduced subsidy is payable on eligible overpayments. The council currently pays out around £7.1 million in such benefits and receives £7.15 million in subsidy.

9.26 From 1 April 2013 the government is proposing to 'localise' council tax benefits. A fixed subsidy equivalent to the current subsidy reduced by 10% will be payable to local authorities, who will be required to design their own council tax benefit schemes, subject to them making adequate provision for vulnerable groups. Benefits will be offered as reductions or discounts on the council tax payable. The proposals are part of a wider set of welfare reforms, designed to increase local accountability and decision making.

9.27 Authorities may be able to design local schemes that can be funded within the reduced government subsidy. If the cost of the local scheme is less than the subsidy received then the local authorities will benefit, however if the cost is more then they have to bear the additional cost. In two tier areas the savings or additional cost will be shared between the county, district and on the basis of precepts; Cheltenham's share being around 10%.

9.28 The changes, as with the proposals for changes in business rates (see above), represent a major change in the way risk is shared with the government. At present the risk of the actual cost exceeding the budgeted subsidy is currently borne by the government, who meet the actual cost of the scheme. Under the new proposals the risk of claims exceeding the subsidy received is borne by the local authorities, who will not be able to revise schemes in the year.

9.29 It is very difficult at present to estimate the effect of the proposals on Cheltenham, as this will depend largely on the local scheme that is adopted, the mix of vulnerable and non-vulnerable claimants and changes in the local economy. As with other benefits, those relating to council tax are demand led, and the actual cost will depend on the actual number and amount of benefits awarded. However If it is assumed that a local scheme can be designed so that it can be funded by a reduced subsidy of 10%, even a 5% overspend would cost Cheltenham an additional £30,000 per annum.

9.30 During the consultation period the council argued that the timescale for implementing the changes was too tight, with the need to design, consult on and agree a local scheme by 31 January 2013. The need for a safety net was also suggested, although the government have indicated they may review grant allocations annually based on previous shares of expenditure.

Icelandic banks

9.31 The council has £9.1m of un-recovered investments with Icelandic banks which went into administration in October 2008. The council is due to recover 100% of the deposit from Glitnir before the end of 2011/12 financial year and 31% of the deposits with Landsbanki in early 2012. The MTFS assumes the receipt of these distributions followed by smaller distributions as notified by the Landsbanki Winding up Board.

10. Risk associated with the MTFS

10.1 There are inevitable risks associated with the assumptions for both revenue and capital projections. Employee turnover may vary from that assumed with both financial and service consequences. Net expenditure may be more than has been assumed, either as a consequence of additional demand, reduced income following a fall in demand e.g. further reductions in car parking; or for new responsibilities which are inadequately provided for within government grant.

10.2 On the capital side, major projects that require additional resources and rely on a level of new capital receipts may prove to be optimistic in the current economic climate.

10.3 The MTFS assumes that the current system of local government funding will continue.

10.4 There are additional risks associated with the wider economic situation. Inflation and interest rate assumptions may prove to be incorrect, although this has been factored in to some extent by assuming the worst case scenario.

10.5 The prospect of business failures and a reduction in available tenants may result in rent reductions or rent free periods in order to attract new occupiers to the council's commercial property portfolio.

10.6 The Council continues to review the MTFS regularly and highlight changes to the BtG programme board and the council's Senior Leadership Team.

11. Conclusion

11.1 The council has a track record of strong financial management but is now in a period of significant volatility and uncertainty. The council needs to plan now to ensure that its strong financial position continues throughout the period covered by this MTFS and beyond.

11.2 The development of this strategy for closing the budget gap is an important and on-going issue for the council.

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Item	Property Name	Element	Description	Total £
1	All Properties (H&S)	All	Consequential works from risk management inspections	2,000
		Any	Consequential works from legionella risk management inspections	5,000
2	All Properties (WC's)	All	General running repairs and redecorations to Public WC's	5,000
3	Art Gallery/Museum	All	Reorganisation/redecoration of general office areas	10,000
			Contribution to GCC Library staff room	1,000
		Covering	Installation of cold-fusion membrane to office flat roofs	35,000
		Doors	Overhaul repairs and redecoration (Hugh Casson Wing)	1,000
		Electrical	Consequential repairs required by wiring cyclical test	2,000
		Fixtures	Replace floor finishes/carpets	5,000
			Replace floor finishes/carpets to offices	6,000
		Linings	Redecoration of public areas (Hugh Casson Wing)	5,000
		Mechanical	Replacement of main boilers (Hugh Casson Wing)	60,000
			Replacement of heating pumps/ valves/ pipework (Hugh Casson Wing)	10,000
			Replacement of heating controls/BMS panel (Hugh Casson Wing)	25,000
		Security	Security/fire alarm interface to new building upgrades	10,000
4	Berkley Mews	Canopy	General repairs to glazing, beads and flashings	1,000
		Covering	General repairs to pitched roof coverings/flashings	1,000
		RW Goods	General repairs to rainwater goods	1,000
		Steelwork	Redecorations to Colonnade structural steelwork/stairs	2,000
		Surfaces	General repairs to boundary paths/walls/elements	1,000
5	Cemetery Chapel	All	Refurbishment of Public Toilets	20,000
6	Cemetery Gardens	Graves	Grave/memorial maintenance/H&S repairs	6,000
		Surfaces	General repairs to macadam drives/paths and edgings	12,000
7	Central Depot (Swindon Rd)	Covering	Replacement of roof covering (Electrical sub-station)	2,000
		Electrical	Replacement of wiring and fittings	5,000
		Mechanical	Replacement of electric water heaters	1,000
8	Central Nursery	Controls	Replacement of environmental control computer system/equipment	15,000
		Mechanical	Refurbishment of auto roof-light ventilation equipment	25,000
			Replacement of thermal screens to Greenhouse 1, 2, 3 and 5	5,000
9	Chapel Walk CP	Structure	Refurbishment of boundary fences	8,000
10	Civic Amenity Centre	Drainage	Renew drainage provision to spotting compound	20,000
11	Clarence Street Library	Mechanical	Maintaining cast iron heating pipework (Library) 50/50 funding	1,000
12	Grosvenor Terrace Multi-Storey CP	Structure	Rolling programme of structural concrete repairs	10,000
			Structural inspections	2,000
13	Imperial Sq Beer Pavilion	Canopy	Redecoration to decorative canopy metalwork	2,500
		Walls	Redecoration to blockwork/render walls	500
		Woodwork	Redecoration to doors/servery and other woodwork	1,000
14	Memorials/Statues/Fountains	All	Redecorations to Crimean Sebastopol War Memorial (Grant condition)	5,000
15	Municipal Office	Any	General repairs to any element	15,000
16	Pittville Cricket Hall	Electric Lighting	Replacement of lighting lamps to main hall (re-lamp)	4,000
17	Pittville Pump Room	All	Refurbishment of male public toilet facilities	20,000

		Fixtures	Refurbishment cleaning/rewiring of chandeliers	15,000
		Floors	Resurfacing of Ballroom flooring with polyurethane lacquer	8,500
18	Pittville Rec Centre CP	Drainage	Periodic cleaning of underground drainage	1,000
		Electric Lighting	Replacement of external lighting lamps (re-lamp)	1,000
		Surfaces	Surface marking re-lining to car park	5,000
19	Pittville Recreation Centre	All	High level cleaning of steelwork/cladding etc	2,000
		Fixtures	Bird control measures to external elements (rolling programe)	2,000
			General repairs and service of lighting conductor system	2,000
		Floors	Refurbishment of wooden sprung floor - sand/re-seal	10,000
		Mechanical	Risk management annual BMS checks	1,000
		Roof	Replacement of sheet steel roof deck and insulate	45,000
	Pittville Swimming Pool	Electric Lighting	Replacement of lighting lamps to main & learning pool halls	2,000
		Electrical	Consequential repairs required by wiring cyclical test	1,000
		Structure	Deep clean of diving board tower, inc. repair inspection	1,000
			Deep clean of ducting & wall tiling about diving pool/tower	2,000
20	Prince of Wales Stadium	Electrical	Annual maintenance of track high lighting	8,000
		Irrigation	Irrigation pump house & equipment maintenance	1,000
		Surfaces	Resurfacing and relining of running track surface (Capital Works)	180,000
21	Promenade Long Gardens	Fixtures	Re-etch names on central memorial	12,000
		Structure	General cleaning/minor repair work - War Memorial	2,500
22	Royal Well Bus Station	Bollards	Renew bollard protection provision to entrance	8,000
23	St Mary's Mission	Covering	Replace polymer membrane covering (with 15 year guarantee)	9,000
24	St. George's Road CP	Structure	Remedial repairs to rearmost boundary wall	5,000
25	Town Hall	All	Refurbishment of male and female public toilet facilities	30,000
		Drainage	Drainage repairs to public toilets (as per survey report)	5,000
		Fixtures	Replacement of floor finishes/vinyl to stage	6,000
		Floors	Repairs to suspended timber floor (catering store)	5,000
			Refurbishment of wooden flooring - deep clean & re-wax (Tretex)	3,000
		Linings	Provide partitions/door to ICT comms equipment in cloakroom	1,000
26	Christmas Illuminations	Lighting	Replacement LED lighting festoons and lamp-post sails	5,000
27	Central Nursery	Mechanical	Refurbishment of greenhouse irrigation systems	16,000.00
		Controls	Replacement of environmental control computer system additional costs	15,000.00
		Mechanical	Replacement of thermal screens additional costs	10,000.00
		The above costs were identified following re-evaluation of condition and recent receipt of cost estimates from specialists suppliers		
28	Grosvenor Terrace Multi-Storey CP	Structure	Deck resurfacing/to levels 8 and 9 (top decks only)	180,000.00
		Structure	Concrete repairs to lower decks	10,000.00
		Structure	Isolated repairs to deck surfaces	30,000.00
		The above costs identified following change of priority for car parking provision due to expected closure of North Place and Portland Street car parks		
29	All Properties	All	State and condition surveys	48,000.00
		Necessary work to inform the 20 year planned maintenance programme		
	Total			**£ 1,056,000**

BUDGET CONSULTATION 2012/13 – SUMMARY OF RESPONSES

9 completed surveys were received in total.

Q1.
Given the need to find savings of £1.15m in 2012/13, do you think the council has compiled a list of proposals which is broadly acceptable given the circumstances?

		%
Yes	6	67
No	3	33
Total	9	100

Q2.
Are there any proposals for cuts which you do not support?

	Response	**%**
A reduction in the number of staff - 5 jobs will be lost	1	33.3%
No Grant to the Cheltenham Arts Council	2	66.7%
TOTAL	**3**	**100.0%**

Q3.
If you have answered No to Question 1, what savings could be made instead of the proposals you do not support?

None suggested

Q4.
Given the need to make further savings in future in response to more reductions in government funding where should the council continue to look to make savings? Please identify any services you believe where the council should reduce, or stop funding?

- Carry out a cost-benefit analysis of Cheltenham Festivals
- Aim for natural wastage to avoid redundancies
- Privatise the Leisure Centre
- Utilise School facilities
- Stop funding for The Everyman Theatre
- Sub-let space in Council Buildings
- Move the Police Station into the Municipal Offices
- Scrap the brown bin service
- Senior Management should be expected to take pay cuts
- Scrap all allowances and overtime
- No Grants funding for any projects/organisations
- Review CEO's Pay & Pension package

Q5.
Finally, do you have any general comments about the proposed budget?

- "Residents would be able to give better feedback if the council made clear exactly what services would be affected, or are proposed to be affected".
- "Cheltenham is known as a garden town and although understanding the need for the marquees in the Imperial and Montpellier Gardens. We must make sure what remains are of the highest order".
- "From a distance I have the impression that the council might manage with less senior managers, though I would accept that the quality of a reduced management cadre needs to be high".
- "Keep cutting and improving efficiency, lots of savings yet to be made".

Other responses were received from –

- Jack Doran
- Brian Carvell (Cheltenham Arts Council)
- National Council for Voluntary Organisations
- Niki Whitfield
- Liz Penwill
- Terry Fitzgerald – on behalf of the 'the boys down the pub'

The Cheltenham Business Partnership, the council's Overview and scrutiny committees and a focus group of residents were also consulted. Minutes / notes from these meetings as well as the responses from those named above are available in the member's room.

CABINET RESPONSE TO BUDGET CONSULTATION FOR 2012/13.

1. There were only 16 submitted responses to the formal budget consultation probably because the draft budget was relatively uncontroversial and did not raise Council Tax or propose significant cuts. This included 9 completed surveys with 6 written responses on a range of issues from a number of individuals and organisations. A substantial majority broadly accepted the proposals.

2. In addition to these responses all three Overview and Scrutiny Committees considered the budget and the usual formal bodies, such as the Parish Councils considered it, as did the Budget working Group and a special focus group of citizens, most of who had previously been involved in scrutinising the 2011/2012 budget

3. Key issues that arose were as follows:

3.1. Why has £250k of the New Homes Bonus been amalgamated into the base revenue budget?
3.2. Why are we not looking to reduce Council Tax as real incomes drop?
3.3. Why are we not proposing further cuts in pensions, senior management, politicians allowances and staff?
3.4. The Green Waste scheme needs to be reviewed – it is too expensive.
3.5. There was strong support for reinstating the verges contract into base budgets, and for further funding for tree maintenance.
3.6. Why do we not ignore the Government and increase Council Tax?
3.7. There was some concern at the cut to the Arts Council grant made in the 2011/12 budget.
3.8. Civic Pride initiatives and proposed works to the Town Centre were widely supported.
3.9. Some people and organisations believe Car Parking charges should be reduced rather than frozen.

4. New Homes Bonus.

The amount of income from the New Homes Bonus has been calculated for the next 5 years (the life time of the Medium Terms Financial Strategy) against planning permissions in the system and against historical experience. It is not related to any figures that may appear in the Joint Core Strategy which is yet to be agreed. The Cabinet opposes any new homes target greater than scenario A in the JCS consultation and is strongly opposed to the urban sprawl in the other scenarios.

Given the reliability of the New Homes Bonus, all other local authorities in Gloucestershire, *including the County Council*, have absorbed part of it into base revenue budgets. This year we are taking £250,000 out of a total NHB allocation of £583,000, and allocating the residue to two pots of money for ‘Promoting Cheltenham’ and ‘Environmental Improvements’ that can be bid into by organisations, community groups and businesses.

5. Why are we not looking to reduce Council Tax as real incomes drop?

Council Tax has been frozen for three years and in real terms declined against inflation and is only one source of funding for Council Services – the others being central government support and income from such things as investments and service charges (such as Leisure@ and car parking). Council expenditure has been reduced against a

23.23% cut in central government support over the last two years. Income from investments has declined as interest rates have dropped. Income from car parking has also declined.
The capacity to reduce Council Tax without a serious impact on services is limited, and it needs to be remembered that there are three parties involved in the calculation of Council Tax – with CBC being the least significant. At the band D rate, CBC collects £187.12p (12.66%), the Police £199.69 (13.52%) and the County Council £1,090.50 (73.82%). CBC is pursuing a long term strategy of becoming an enabling authority which commissions the most appropriate organisations to deliver services while reducing costs where it can be done. The prime aim is to maintain services, but to do them more economically, **rather** than drastically cutting services in order to reduce Council Tax.

6. **Why are we not proposing further cuts in pensions, senior management, politicians' allowances and staff?**
Pensions are quite separate from Council Tax. Council contributions to the pensions system are being examined as part of a national initiative.
Senior Management salaries (and indeed all salaries) have been frozen for the last two years and in real terms have declined by more than 10%. Last year, all Member allowances were frozen up to 2016, and Cabinet Member allowances cut by 5%. In our view Council employees have made significant sacrifices and continue to provide a good service despite increased pressure on them.

7. **The Green Waste scheme needs to be reviewed – it is too expensive.**
The Green Waste scheme is more than paying for itself, but has not so far generated the income that was envisaged when the 2011/12 budget was agreed by Council despite it contributing to an increased recycling rate of around 50%. There is a view, forcibly expressed at the resident's focus group meeting, that the £36 charge is excessive since the service was previously provided free and as much green waste is taken by individuals to the depot as is collected by the Council. The main justification for the scheme is an environmental one but in present financial circumstances there must be a charge for it. This issue needs to be tackled in the coming period and, if the current administration is returned following the May elections, will establish a member working group with external co-optees to examine alternatives and the charging mechanism and level. In the mean time, the scheme has been extended to include paper bags in streets where it is difficult to collect brown bins.

8. **There was strong support for reinstating the verges contract into base budgets, and for further funding for tree maintenance.**
There was universal support for the reinstatement of this budget element and the addition of £20,000 for improved tree care, but if the County Council goes ahead with its proposed cuts to Cheltenham's highways budget allocation, the service will deteriorate **despite** CBC reinstating its budget. The County Council seems to want CBC to pay for things that are its responsibility and we have objected to this most strongly.

9. **Why do we not ignore the Government and increase Council Tax?**
The Cabinet believes along with all other Council's in Gloucestershire, that it is right to take advantage of Government support to freeze Council Tax for the next year but is aware that because Government support will only be in place for a year, there will be a bigger than

expected increase in Council Tax in the next budget round. At any rate, the Government still has capping legislation in place and has indicated that it would be prepared to use it to control public finances, and (under the Localism Act) increases above 3,5% will trigger a referendum.
In CBC's case the medium term financial strategy assumes a 2.5% annual uplift which is what the Government is prepared to pay. This amounts to c£200k. To increase Council Tax to, say, 5% would raise only £400k in total and runs the risk of Government capping – and, of course, we would forgo Government support so the whole amount would have to be paid for by Council Tax payers.

10. **There was some concern at the cut to the Arts Council grant made in the 2011/12 budget.**
Historically, the Council allocated £10,000 to the Arts Council to distribute to Arts based organisations in the town. Last year, given the scale of the deficit, this was stopped but a sum of £6k was given to them as a one-off transition payment. Having looked again at this and given the arguments expressed by the Arts Council it is intended to make a payment again this year of £5k and look at ways in which this can be made more secure.

11. **Civic Pride initiatives and proposed works to the Town Centre were widely supported.**
Despite the difficult financial circumstances, the Cabinet's determination to stick to its long term plans to improve the town through the Civic Pride initiative is widely supported and the Civic Pride reserve has been allocated to repair and improve pavements in the Promenade and a scheme of works to St. Mary's Churchyard including resurfacing footpaths. The view is that income from capital receipts from the sale of Council land and capital assets should be reinvested in the town and not used in any significant way to support revenue except indirectly by paying off debt and so reducing debt charges where appropriate.

12. **Some people and organisations believe Car Parking charges should be reduced rather than frozen.**
It is proposed to freeze Parking charges for the third successive year. There is a view that car parking charges are deterring people from coming into the town centre to shop and should be drastically reduced. The Chamber of Commerce is keen for the Council to provide funding to commission work to better understand the relationship between car parking charges and the town centre economy. *This will be supported.*
There are a number of dimensions to this issue that make it more complex than it initially appears. While car journeys to the town centre may have declined, it does not appear that footfall has proportionately declined with more people walking or taking the bus to shop. The over 60's, who benefit from free bus travel, take special advantage of this.
Parking charges are not only a source of income for the Council, they are also a means of controlling the use of vehicles and consequent congestion, and if people are using other means of transport or walking more, then this is desirable despite the impact on CBC income.
With the development of Portland Street and North Place moving closer there is a need to provide good quality alternative parking to compensate for the loss of this major parking facility, which is why the Cabinet is recommending a major investment in Gloucester Terrace multi-storey car park and the access to the east end of the High Street.

The view of the Cabinet at the present time is that while there may be a case for parking price initiatives at certain times of the year or in certain locations, the current level of charge is not the most significant factor in attracting people to shop in the town centre. The unique attractiveness of the town centre as a place to shop and the range of shops available are the key reasons people visit the town which is why our view is that investment of the kind coordinated by Cheltenham Task Force and contained in this budget is the right way forward.

Section 25 of the 2003 Local Government Act - Budget Assessment – Report of the Director of Resources (Section 151 Officer) APPENDIX 10

Statement of the Section 151 Officer

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

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

- Supplies and Services and staffing budgets are sufficient to maintain services as planned.
- Budgeting assumptions for treasury management activity reflect the impact of sustained low interest rates and outcome for the Icelandic banks.
- Approach to budgeting for income is prudent.
- Given the modelling projections, the approach taken in building into the base budget some of the New Homes bonus receipts in the MTFS is prudent.
- The MTFS assumptions, including future cuts in government support, are prudent and planning for meeting future funding gaps remains effective.
- The approach to financing maintenance is an acceptable response to the financial squeeze. Looking ahead, the need to model and prioritise future investment aspirations is becoming increasingly important.
- The level of reserves, including the General Reserve, is satisfactory.

Overall conclusion

My overall view is that the budget is a reasonable response to very challenging financial circumstances, which maintains services as far as possible, maximises efficiencies and plans for future financial challenges.

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

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
1. Robustness of the estimates **Inflation – do supplies and services budgets allow sufficient for inflation?**	1.1 Contract inflation has been allowed for at the appropriate contractual rate e.g. utilities budgets reflect negotiated rates. 1.2 In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures.	Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain services levels.	Policy reviewed annually as part of the budget setting process. The growth proposal for additional tree maintenance budget is an example of such a review being addressed.	**I am of the opinion that service managers have sufficient budgets to fund supplies and services expenditure in order to maintain existing service levels.**
Employee costs i.e. pay / turnover targets / pension costs – are budgets sufficient?	1.3 In line with government policy, employee budgets for 2012/13 do not allow for a pay award but allow for contractual incremental progression for some staff below the top of their grade. 1.4 The net cost of service assumes an employee turnover saving of around 3% of gross pay budget which equates to an estimated annual saving of c£480,000. 1.5 The MTFS allows for pay awards for 1% for 2013/14 and 2% thereafter.	There is uncertainty over the pay freeze Given the impact of the economic climate and commissioning of services, there may be less CBC turnover / saving. Given inflationary pressure and prolonged period of pay freeze there may be upward pressure on pay above 2%	Fund any additional budget in 2012/13 from the General Reserve and build into base budget for 2013/14. Based on previous year's experience this has been achieved but needs to be closely monitored in the significant change in service delivery models. Review MTFS projections regularly and feed into BtG group / SLT.	**I am satisfied that the Council has sufficient budgetary provision for employee related costs in 2012/13 and is being prudent in planning for potential future increases in pay and pension fund costs in the MTFS.**

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
	1.6 The budget provides for existing pension contribution rates and the MTFS allows further increases in contribution rates at the next triennial revaluation in 2013.	Uncertainty in the economy / fund performance and lack of agreement over pension changes may increase pension fund deficits.	Review based on actuarial advice. National negotiations over reducing pension benefits may improve the sustainability of the pension fund.	
Treasury Management – are budgeting assumptions prudent and the approach to treasury management risk tolerable?	1.7 Despite previous significant investment returns, the treasury management budgets are now based on sustained low interest rates and no increase is factored into the MTFS. 1.8 The budget assumes the reversal of some of the 'writing off' of assumed loss of Icelandic bank deposits following the Icelandic supreme court decision confirming priority status for local authorities based on notified potential distribution levels. 1.9 The Council adheres to the CIPFA Code of Practice for Treasury Management 2002 and updates its Policy and Strategy statements annually. The Annual Investment Strategy, which sets the treasury management parameters within which Officers operate, is regularly reviewed on the advice of external advisors and annually approved by the Treasury Management Panel / Council.	Fluctuating interest rates / investment income could impact on the net cost of services. Actual distributed receipts may be subject to fluctuations in exchange rates. Given the uncertainty in the economy and financial institutions, there may be a risk to future deposits.	The Council has reduced it's reliance on investment interest to support the net budget and in turn reduced the risk and impact of the volatility of interest rates on the budget. Adjust future residual capitalisation write off to reflect actual receipts. The Investment Strategy is reviewed annually to ensure security of public money. Following the banking crisis, treasury advisors, ArlingClose, continue to advise the Council and TMP on policy.	**I am satisfied that, given the prevailing low interest rates, the budgeting assumptions for investment interest and the likely outcome for Icelandic banks are reasonable; the treasury policy is in accordance with external advice and that treasury related decisions (as measured by these indicators) are in accordance with the prudential code.**

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
	1.10 In line with the code, prudential indicators which measure the financial impact of treasury and borrowing decisions are included in the Annual Investment Strategy. The indicators for 2012/13 include the implications of the borrowing for the HRA to facilitate self financing and removal from the housing subsidy system.	Borrowing limits could be exceeded	Prudential indicators are monitored and reported to TMP./ council	
Income, Charging and Demand - are estimates at realistic and sustainable levels?	1.11 The Council provides a number of demand led services e.g. car parking, land charges, leisure@cheltenham etc. The estimates for 2012/13 have been prepared on the advice of officers who have taken a professional view on income levels, based on their opinion about the continued impact of the economic downturn. 1.12 No assumptions have been made in the MTFS in respect of improving income levels, although it assumes inflationary increases in all fees and charges. 1.13 The Council operates in some highly competitive markets and fees and charges can be determined by managers following benchmarking against the competition.	Existing income levels may not be sustainable. Inflationary increases may not be achievable in the current climate. Inflexibility may mean that services cannot respond to the market and loose income.	Car parking income targets have been reduced by a further £100k. Regular monitoring and reporting to Cabinet on significant variances in income streams. Keep MTFS assumptions under review and feed into BtG programme. Changes to fees and charges are not restricted to the annual budget setting. The scheme of delegation allows for changes in pricing to be implemented during the year.	**Overall, I am satisfied that the estimates for income are based upon reasonable assumptions which take into account the prevailing economic conditions and that monitoring arrangements are in place.**

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
Government support – are the assumptions prudent?	1.14 The estimates for 2012/13 provide for the financial settlement notified by the Department for Communities and Local Government (DCLG) which is in line with the Government's Comprehensive Spending Review (CSR10).			**Despite the lack of clarity over future government funding, I am comfortable that the council has been sufficiently prudent in budgeting for further reductions in government support.**
	1.15 Whilst there is no indication of future years funding proposals, the MTFS assumes a further 5% cut in 2013/14 and 2014/15.	Uncertainly over future funding could result in the council making insufficient allowance for future reductions in government funding.	The section 151 Officer monitors relevant government policy and uses other councils to compare budgeting assumptions.	
	1.16 The MTFS considers the considerable changes in funding stream resulting from local business rates retention from April 2013.	May reduce income if no growth in business rates.	County wide Section 151 officers are jointly working to assess implications.	
	1.17 The budget assumes £250k is top sliced from the New Homes Bonus (NHB) and built into the base revenue budget, based on NHB income receipts over the period of the MTFS as a result of additional numbers already delivered.	This may not be a sustainable income stream if houses are not built.	Assumptions are based on a prudent view of potential levels of NHB and compared with neighbouring councils.	
2. Medium Term Financial Strategy (MTFS) and strategy for 'Bridging the Gap (BtG) – are the assumptions reasonable?	2.1 The MTFS predicts the funding scenario and estimates the funding gap for the next 5 years modelled using various scenarios.	Actual projections may vary from predictions.	Annual reviews of MTFS projections approved by council.	**The council's approach to modelling and monitoring the MTFS and planning for meeting future funding gaps remains effective.**
NB: Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making	2.2 The MTFS assumes savings / additional income from the 'BtG' programme from shared services / partnerships, commissioning and creation	Lack of forward planning for cuts could results in salami slicing of	The 'BtG' programme meets monthly and receives updates of MTFS / 'BtG' work	

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Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
recommendations about the local authority's future revenue and capital programme.	of the LAC. 2.3 The council has traditionally provided 'one off' funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or the General Reserve.	budgets. Benefits realisation of projects may not deliver as planned. If opportunities to avoid redundancy costs are not managed, the General Reserve is placed under pressure.	streams. Project boards have robust performance management controls and monitoring which feed into 'BtG' / SLT monthly monitoring reports. Careful workforce planning and vacancy management continues and is monitored by SLT. The level of the General Reserve is held at an appropriate level to provide a reasonable level of assurance.	
3. Proposed level of council tax increase – is it a reasonable? ***NB: In setting the level of council tax, Members need to be mindful of the impact of the decision on the MTFS and future funding gaps.***	3.1 The final budget proposals assume a council tax freeze for 2012/13 which is in line with the Government's aspiration. This will cost the Council c£199k in lost income based on the originally planned council tax increase of 2.5% funded by government grant for 1 year only. The budget does not consider raising council tax at 2.5% or above. 3.2 The MTFS models 4 years of grant for the freezing the council tax in 2011/12 and the impact of its withdrawal.	The limited government support increases pressure on the funding gap in 2013/14.	The 'BtG' programme plans for future funding gaps. Avoided proposed government requirement for a referendum for increases over 3.5% thereby avoiding expense / impact on community.	**Given the support offered by the government in freezing council tax, the decision to freeze council tax is reasonable and the impact on the MTFS has been considered.**

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
4. Is the approach to financing the maintenance programme and the Asset Management Plan (AMP) sound?	4.1 The Council is not yet in a position where it has enough money built into the base revenue budget to fund the annual maintenance budget (circa £1.4m) for the property portfolio. As a result, an incremental increase in revenue contribution to fund planned maintenance is factored into the MTFS. The budget assumes a deferral of the proposed £200k increase in revenue contribution to the reserve which funds the repairs and maintenance programme. 4.2 The Council's AMP set the general direction for its assets. The fully costed "shopping list" of aspirations for the Council's property portfolio including capital and revenue implications / funding options is outstanding.	There may be insufficient annual budget to fund maintenance programmes. The receipt from the Midwinter site and North Place / Portland Street, could be used in an ad hoc manner.	The maintenance programme is reviewed by the Asset Management Working Party (AMWP). The funding strategy for the planned maintenance programme is annually reviewed to ensure that the programme can be financed. Costing of the AMP is underway which will indicate what can be afforded from existing resources / future capital / potential prudential borrowing.	**The assumptions for financing the capital programme and the planned maintenance programme in the 2012/13 budget are reasonable. In moving forward, the Council must continue to ensure that it maximises the use of, and minimises the cost of, its asset portfolio.**
5. Are the councils Reserves at reasonable levels? **NB: The requirement for financial reserves is acknowledged in statute. Section 32 and 43 of the Local Government Finance Act 1992 requires billing authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.**	5.1 The final budget proposals include a schedule of the reserves held by the Council, stating their purpose together with actual and proposed changes between years. 5.2 The MTFS provides a longer term projection of reserves indicating a gradual reduction in the level of reserves over the next 5 years. This reflects the use of some of the earmarked reserves set aside to fund specific spending plans e.g. pensions, Art Gallery and Museum development. At the end of the 5 year period of the MTFS, the total level of reserves, including the	Reserve levels may not be sufficient.	These are reviewed on a regular basis and have been again in the process of finalising the budget proposals.	**Overall, I am satisfied that the projected levels of reserves, including the level of the General Reserve, are adequate for the forthcoming year.**

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
Within the statutory and regulatory framework it is the responsibility of the Section 151 Officer to advise the authority on its level of reserves. Councillors, on the advice of the Section 151 Officer, should make their own judgements on such matters taking into account local circumstances. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFS, its wider financial management, and associated risks over the lifetime of the plan. The Secretary of State has reserved powers to set a minimum level of reserves to be held by councils if required.	General Reserve, is estimated to be circa £3.8m 2017/18. 5.3 The planned maintenance reserve is reduced over the period of the MTFS. 5.4 On the advice of the Section 151 Officer, the Council has previously agreed to maintain its General Reserve at approximately 10% of net operating expenditure, or a level between £1.5m and £2m. This remains my advice. 5.5 The Council has managed to deliver services without calling on the General Reserve. 5.6 The council places reliance protection provided by earmarked reserves.	Insufficient funding for annual maintenance Pressure on GR from the need to drive out savings / funding of one off investment e.g. commissioning etc. Opportunity cost of holding reserves. Potential to increase the risk of use of GR.	The MTFS assumes increases in the contribution to the annual budget for maintenance. 2012/13 budget proposals maintain the General Reserve at c£2m. Regular reviews of reserve levels and increase General Reserve when opportunities arise. Reserves reviewed regularly. Reduced number of specifically earmarked reserves over recent years.	
6. Is the budget balanced? **There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget**	The budget proposals includes budgets for expenditure and income and use of one off reserves to either fund one off expenditure, creates reserves to fund future expenditure or phase in the impact of increased expenditure as per the MTFS without drawing on the General Reserve.	Unsustainable budget supported by the General Reserve.	Annual S151 Officer budget assessment	**I am satisfied that the proposed budget is balanced and therefore meets the legal requirement to set a balanced budget.**

Cheltenham Borough Council

Cabinet – 7th February 2012

Council - 10th February 2012

Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

Accountable member	**Finance & Community Development , John Webster**
Accountable officer	**Director Resources, Mark Sheldon**
Accountable scrutiny committee	**Economy & Business Improvement**
Ward(s) affected	**None**
Key Decision	**No**
Executive summary	In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the public services. To comply with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year.
Recommendations	Treasury Management Panel/Cabinet recommend to Council the approval of the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2012/13 at Appendix 2 including : • **The general policy objective 'that Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity'.** • **That the Prudential Indicators for 2012/13 including the authorised limit as the statutory affordable borrowing limit determined under Section 3 (1) Local Government Act 2003 be approved.** • **Revisions to the Council's lending list and parameters as shown in Appendix 2 11.2 and 11.4 are proposed in order to provide some further capacity. These proposals have been put forward after taking advice from the Council's treasury management advisers Arlingclose and are prudent enough to ensure the credit quality of the Council's investment portfolio remains high.** • **For 2012/13 in calculating the Minimum Revenue Provision (MRP), the Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure as per section 21 in Appendix 3.**

Financial implications	All financial implications are noted in the report. **Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk, 01242 264337**
Legal implications	As detailed in the report. **Contact officer: Peter Lewis** **peter.lewis@tewkesbury.gov.uk, 01684 272695**
HR implications (including learning and organisational development)	None arising directly from this report. **Contact officer: Julie McCarthy,** **julie.mccarthy@cheltenham.gov.uk, 01242 264355**
Key risks	As noted in Appendix 1.
Corporate and community plan Implications	The purpose of the strategy is to improve corporate governance, a key objective for the Council.
Environmental and climate change implications	None arising directly from this report.

1. Background

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

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

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

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

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

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

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

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

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

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

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

2.0 Consultation

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

2.2 The strategy was approved by the Treasury Management Panel at its meeting on 26th January 2012.

Report author	**Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk** **01242 264123**
Appendices	Appendix 1 – Risk Assessment Appendix 2 – Treasury Management Strategy Statement & Annual Investment Strategy 2012/13 Appendix 3 – Annual MRP Statement 2012/13
Background information	Section 15(1)(a) of the Local Government Act 2003 Cheltenham Borough Council Treasury Management Practices

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**
HRA-	If there are insufficient resources to meet debt principle repayments and interest then further borrowing may be required or a need to reduce capital or revenue expenditure.	Director for Resources Mark Sheldon	January 2012	2	2	4	Accept	High level of assumptions within the Business Plan on future inflation and interest rates. Significant changes in inflation or government policy. Can be mitigated by robust monitoring and reviewing the long term projections.	March 2013	Paul Jones	
	LOBO Loans - If £7m of these loans is recalled by the banks if they choose to exercise their option then we would need to have the resources on the day to repay. Alternative borrowing arrangements at today's current rates would be favourable for the Council	Director for Resources Mark Sheldon	24th January 2012	1	2	2	Accept	If the loans are recalled the council could take out temporary borrowing which is currently much lower than the rates on these loans. Any capital receipts available could also be used to repay debt.	May 2012	Section 151 Officer Mark Sheldon	

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

TREASURY MANAGEMENT STRATEGY STATEMENT

1. Introduction

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

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

The suggested strategy for 2012/13 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisors, Arlingclose Ltd. The strategy covers:

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

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

a) increases in interest charges caused by increased borrowing to finance additional capital expenditure, and

b) any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2. Treasury Limits for 2012/13 to 2014/15

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

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

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

3. Prudential Indicators for 2010/11 – 2014/15

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

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

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

3.1.3 The actual capital expenditure that was incurred in 2010/11 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:-

Capital Expenditure					
Proposed Capital programme	2010/11 £000 Actual	2011/12 £000 Revised	2012/13 £000 Estimate	2013/14 £000 Estimate	2014/15 £000 Estimate
General Fund	3,254	9,244	9,829	1,116	1,056
HRA	3,851	4,989	5,192	5,905	6,080
Total	7,105	14,233	15,021	7,021	7,136

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

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

3.1.5 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2010/11 are:

Ratio of Financing Costs to Net Revenue Stream					
	2010/11 Actual %	2011/12 Revised %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
Non-HRA	4.09	5.28	3.85	3.52	2.71
HRA	2.31	2.54	10.65	10.10	9.69

3.1.6 **Capital Financing Requirement (CFR)**

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

The HRA reforms which come into effect for 2012/13 will determine which current loans the Council has, will either be apportioned to the General Fund or HRA. The Council has focused on a "two pool" approach which earmarks a proportion of the loans based on the HRA CFR as of 1st April 2011.

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

3.1.8 Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31st March 2011 are:

Capital Financing Requirement (CFR)					
	31/3/11 £000 Actual	31/3/12 £000 Revised	31/3/13 £000 Estimate	31/3/14 £000 Estimate	31/3/15 £000 Estimate
Non-HRA	26,760	27,354	30,013	29,111	28,219
HRA	18,728	46,142	44,750	44,750	44,750
Total CFR	45,488	73,496	74,763	73,861	72,969

As a result of the HRA Subsidy Reform, the Capital Financing Requirement has risen significantly in 2011/12 as the Council is due to borrow £27.414m in March 2012 to pay over to the DCLG. Further information on the HRA reforms can be found in section 8.

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

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

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

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

3.1.11 In order to ensure that over the medium term net borrowing will only be for capital purposes, the Council needs to ensure its net external borrowing does not exceed its

Capital Financing Requirement over the current and next three years. The table below demonstrates that the estimated level of net investments remains lower than the capital financing requirement in each year, and therefore meets this requirement.

Estimated net borrowing and capital financing requirement at Year end	2010/11 £000 Actual	2011/12 £000 Revised	2012/13 £000 Estimate	2013/14 £000 Estimate	2014/15 £000 Estimate
Gross borrowing	50,133	72,706	75,298	74,753	74,224
Investments	15,759	6,485	5,785	4,985	4,285
Net (Investment) / borrowing	34,374	66,221	69,513	69,768	69,939
Capital financing requirement	45,437	73,496	74,763	73,861	72,969

3.1.12 **Gross and Net Debt**

3.1.13 The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need.

Gross and Net Debt	2011/12 £000 Revised	2012/13 £000 Estimate	2013/14 £000 Estimate	2014/15 £000 Estimate
Gross Debt	63,673	66,265	65,720	65,191
Investments	6,485	5,785	4,985	4,285
Net Debt	57,188	60,480	60,735	60,906

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

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

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

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

For the Band D Council Tax –

2012/13	2013/14	2014/15
£Nil*	£Nil	£Nil

* As a proposed Council Tax freeze for 2012/13.

For average weekly housing rents

2012/13	2013/14	2014/15
Nil**	Nil**	Nil**

** Decisions on annual rent increases are subject to rent restructuring guidelines set by Central Government. As a consequence the Government has indicated that rent levels will increase annually by Retail Price Index plus 0.5% and this should cover all additional capital expenditure. This method has been used to form part of the 30 year HRA Business Plan.

3.2 **External Debt Indicators**

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

3.2.1 **Authorised Limit**

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

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

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

Authorised Limit for External Debt				
	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Borrowing	109,000	109,000	109,000	109,000
Other long term liabilities	-	-	-	-
Total	*109,000	109,000	109,000	109,000

*The Authorised Limit was increased and approved from £81m to £109m at Council in December 2011 as a consequence of the increase in debt due in March 2012 to repay the DCLG £27.414m as part of the HRA Self Financing reforms.

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

This limit represents the worst case scenario, i.e. the effect on the cash flow of receiving no council tax income and borrowing to the maximum of the capital financing requirement, in addition to investments held. The calculation follows a prescribed formula and is in excess of the expected levels of borrowing for 2012/13 to 2014/15 in accordance with Treasury strategy and as shown in the Operational Boundary indicator in paragraph 3.2.6.

3.2.4 In taking its decisions on this report, the Council is asked to note that the authorised limit determined for 2012/13 is the statutory limit determined under section 3(1) of the Local Government Act 2003.

3.2.5 **Operational Boundary**

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

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

Operational Boundary for External Debt				
	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £'000
Borrowing	99,000	96,000	98,500	98,200
Other long term liabilities	-	-	-	-
Total	99,000	96,000	98,500	98,200

The Operational Boundary for borrowing was increased and approved from £71m to £99m at Council in December 2011 as a consequence of the increase in debt due in March 2012 to repay the DCLG £27.414m as part of the HRA Self Financing reforms.

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

3.2.8 The Council's actual external debt at 31st March 2011 was £50.133 million. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

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

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

3.3.1 The purpose of these indicators is to reduce the likelihood of an adverse movement in interest rates or borrowing / investment decisions impacting negatively on the Council's overall financial position.

3.3.2 It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2012/13, 2013/14 and 2014/15 of its gross outstanding borrowing.

3.3.3 It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2012/13, 2013/14 and 2014/15 of 100% of its gross outstanding borrowing.

3.3.4 This means the Director of Resources (Designated Section 151 Officer) will manage fixed interest rate exposures within the range 0% to 100% and variable interest rate exposures within the range 0% to 100%.

3.3.5 **Maturity structure of borrowing**

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

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

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

	Upper Limit %	Lower Limit %
Under 12 months	50	0
12 months and within 24 months	50	0
24 months and within 5 years	100	0
5 years and within 10 years	100	0
10 years and within 20 years	100	0
20 years and within 30 years	100	0
30 years and within 40 years	100	0
40 years and within 50 years	100	0
50 years and above	100	0

4. **Current Portfolio Position**
The Council's treasury debt portfolio position at 31st December 2011 comprised:

		Principal £m		Ave. rate %
Fixed rate borrowing	PWLB	12.40		4.75
	Market	15.90	28.30m	4.00
Variable rate borrowing	PWLB	0		
	Market	0		
Temporary Borrowing			8.0m	0.36
TOTAL DEBT			**36.30m**	**3.46**
TOTAL INVESTMENTS			**17.41m**	**3.06**

5**. Outlook for Interest Rates**

5.1 The Bank of England has now held interest rates at 0.5% since March 2009, its lowest level in its 316 year history as part of a continued effort to aid an economic recovery. The Bank of England stated that interest rates will be on hold through to the end of 2012. This impact on investment income has been factored into 2012/13 investment budgets.

5.2 Part of the service offered by the Council's treasury advisers, Arlingclose Ltd, is to assist the Council to formulate a view on interest rates. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

The following table gives Arlingclose Ltd view on future interest rates:

	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Official Bank Rate													
Upside risk					0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
1-yr LIBID													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.75	1.75	1.75	1.75	1.80	1.85	1.95	2.00	2.10	2.20	2.30	2.40	2.40
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.30	1.35	1.40	1.50	1.60	1.70	1.80	2.00	2.10	2.30	2.40	2.50	2.50
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.30	2.40	2.45	2.50	2.55	2.60	2.70	2.75	2.80	2.85	2.90	3.00	3.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.05	3.05	3.10	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.60	3.75	3.75
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.00	4.00	4.10	4.20	4.25	4.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

5.3 Outlook for the Economy

Financial market stress is expected to remain a feature of 2012. Rates within the inter-bank markets (where banks fund the majority of their day to day operations) have continued to climb. This occurrence was a characteristic of the 2008 banking crisis and whilst the UK and European Central banks have flooded the markets with liquidity, it is still a strong indicator of market risk.

Inflation has moderated back to 4.2% in December 2011. Consumer Price Inflation (CPI) is expected to drop gradually back towards the 2% target as the January 2011 VAT increase, the surge in oil prices and the large energy price hikes fall out of the twelve month comparison.

Faltering global growth will not be helped by the considerable uncertainty and expansion of risks presented by the crisis in the Eurozone and gridlock in the United States going into an election year.

6. Borrowing Strategy

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

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

7**. Debt Rescheduling**

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

- Savings in interest costs with minimal risk
- Balancing the ratio of fixed to variable debt
- Amending the profile of maturing debt to reduce inherent refinancing risks.

Any rescheduling activity will be undertaken following the rationale within the Council's Treasury Management Strategy. The Director of Resources (Designated Section 151 Officer) will agree in advance with Arlingclose Ltd the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose Ltd and discussed with the Council's officers.

All rescheduling activity will comply with the accounting requirements of the local authority Code of Practice and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

All rescheduling and any new long term borrowing undertaken will be reported to the Treasury Management Panel at the meeting following its action.

8. **Housing Revenue Account Self Financing – Managing HRA Debt**

8.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published its 2011 Edition of 'Treasury Management in the Public Services – Guidance Notes for Local Authorities' to include a new section with regard to Treasury Management implications of the housing self-financing reform. The principles set out by CIPFA upon which the allocation of loans should be based are as follows:-

- The underlying principle for the splitting of loans, at transition, must be that of no detriment to the General Fund

- Local Authorities are required to deliver a solution that is broadly equitable between the HRA and the General Fund.

- Future changes to the HRA in relation to borrowing are not influenced by General Fund decisions, giving a greater degree of independence, certainty and control.

- Un-invested balance sheet resources which allow borrowing to be below the Capital Financing Requirement (CFR) are properly identified between General Fund and HRA.

8.2 The reforms involve a removal of the housing subsidy system by offering a one-off reallocation of debt. The settlement of the reallocation is expected to take place on 28th March 2012 and will result in the Authority having an increase in debt to fund the settlement of £27.414m which will be clearly attributable to the HRA. The specific borrowing amount and terms will be determined by the Authority in conjunction with the HRA 30 year Business Plan and the advice of its treasury advisers, Arlingclose Ltd.

8.3 Current loans have been split on the "two pool" approach which identifies loans which will be allocated to the HRA based on the drawdown to fund the HRA CFR. This has been adopted for clarity and transparency. Treasury management decisions on the structure and timing of borrowing will be made independently for the General Fund and HRA. Interest on loans will be calculated in accordance with proper accounting practices. This will require interest expenditure on external borrowing attributed to HRA loans being allocated to the HRA. Interest expenditure on external borrowing attributed to the general Fund will be allocated to the General Fund. Third party loans taken out on behalf for Cheltenham Borough Homes, Gloucestershire Airport and the Everyman Theatre have been excluded from the "two pool" approach.

9. **Sources of Borrowing**

9.1 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Authority will keep under review the following borrowing sources:

- PWLB
- Local authorities (includes Police & Fire authorities)
- Commercial banks
- Money Markets
- Leasing

9.2 The cost of carry has resulted in an increased reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Authority's exposure to shorter dated borrowing is kept under regular review and if margins change then the borrowing strategy could be maintained or altered. It has been a policy recently for the Council to use maturing investments to repay temporary debt, which removes some of the interest rate risk in the future.

9.3 The Authority has £15.9 million exposure to LOBO loans (Lender's Option Borrower's Option) of which £7 million can be "called" within 2012/13. A LOBO can be called when the lender exercises its rights to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the lenders discretion. Any LOBOs called will be discussed with the treasury advisers prior to acceptance of any revised terms.

ANNUAL INVESTMENT STRATEGY

10. **Investment Policy**

The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2010 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

- Security of the invested capital;
- Liquidity of the invested capital;
- An optimum yield which is commensurate with security and liquidity.

Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets and in some instances this has lead to a sovereign debt crisis (in countries such as Greece and Italy) with the outcome still largely unknown. It is against this backdrop of uncertainty that the Authority's investment strategy is framed.

As such it is important to restate the overall policy objective of the Annual Investment Strategy i.e. that:

> **'the council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity'.**

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the 'Specified' Investments heading.

Specified investments are investments offering high security and high liquidity. The investments will be sterling denominated with maturities up to a revised maximum of 1 year and meet the minimum 'high' credit rating criteria where applicable.

SPECIFIED INVESTMENTS
All 'Specified Investments' listed below must be sterling-denominated.

The types of investments that will be used by the Council

Investment	Max Sum per institution/group	Maximum period
Debt Management Agency Deposit Facility* (DMADF) • this facility is at present available for investments up to 6 months	UNLIMITED	6 months
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	£5m	1 year
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	£4m - £7m	1 year
AAA rated Money Market Funds with UK/Ireland/Luxembourg domiciled	£1m	1 year
* **T-Bills** issued by the DMO (Government)	UNLIMITED	1 year

* T-Bills issued by the government's DMO have been recommended by Arlingclose as another specified investment to have on the council's lending list.

Non-specified investments are of greater potential risk and cover deposit periods over one year. To protect against any potential defaults with any bank, after receiving advice from Arlingclose Ltd it is prudent not to lend any monies to any banks or building societies at present beyond a year. The exception to this is the loan made to Gloucestershire Airport Company which the Council could lend up to three years. The Council does have a 50% share in the airport.

11. **Lending criteria**

11.1 **Credit ratings**

The credit crisis has focused attention on the treasury management priority of security of capital monies invested. An authorised 'counter party lending' list is maintained by the treasury team on behalf of the Director, Resources (Delegated Section 151 Officer) which includes those counterparties which meet the minimum criteria for lending. The Council will use Fitch, Moody's and Standard and Poor ratings to derive its criteria for lending. CIPFA suggests using the lowest rating from all three of the agencies to determine creditworthy counterparties, plus additional market information. On the advice of Arlingclose Ltd in order to minimise risk, the Council will restrict lending to those institutions which meet the following minimum criteria, defined as:

Moody's ratings:
Aaa – A3 are judged to be of the highest quality, with minimal credit risk for long term investments. The ratings may be modified by the addition of a 1, 2 or 3 to show relative standing within the category where the highest within the rating is 1 and 3 the lowest.

P-1 - Banks having this rating offer superior credit quality and a very strong capacity for timely payment of short-term deposit obligations.

Fitch ratings:
AAA - A– Implies a bank with very high credit quality and denotes expectations of very low credit risk. They indicate very strong capacity for payment of long term financial commitments. The ratings may be modified by the addition of – or + where a + is higher rated within this category.

F1+ - Indicates the strongest capacity for timely payment of short term financial commitments.

S&P ratings:
AAA - A– Implies a bank with very high credit quality and denotes expectations of very low credit risk. They indicate very strong capacity for payment of long term financial commitments. The ratings may be modified by the addition of – or + where a + is higher rated within this category.

A-1+ - Indicates the strongest capacity for timely payment of short term financial commitments.

The 2011/12 approved strategy only allowed deposits with financial institutions with a minimum rating of A+/A1. It is the Councils intention to adopt the new credit rating criteria for the remainder of 2011/12 on approval of this strategy.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

The Council is alerted to changes in Fitch, Moody's and Standard & Poor's ratings through its treasury management advisors, Arlingclose Ltd. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as an investment will be withdrawn immediately. Likewise if a counterparty/investment scheme is upgraded and meets the lending criteria then it will be added to the 'counterparty lending list'.

The Council will monitor and update the credit standing of the institutions on a regular basis. It will not simply rely on credit ratings but will also consider alternative assessments of credit strength i.e. Statements of government support and information on corporate developments or market sentiment towards investment counterparties.

11.2 **Size of deposits**

In reviewing the lending criteria in view of the current market situation and based upon advice from Arlingclose Ltd the Council has restricted the lending list to a small number of very low risk counterparties. As such the following is recommended:

The current authorised lending list meeting the criteria is as follows:

TABLE 3 CURRENT COUNTERPARTY LENDING LIST & LIMITS

BANKS	COUNTRY	LONG TERM			SHORT TERM			LIMIT	MAX
		Fitch	Moody's	S&P	Fitch	Moody's	S&P	£	TIME
Bank of Scotland (Lloyds Banking group)	GB	A	A1	A	F1	P-1	A-1	7,000,000	1 year
Barclays Bank plc	GB	A	Aa3	A+	F1	P-1	A-1	7,000,000	1 year
HSBC Bank plc	GB	AA	Aa2	AA-	F1+	P-1	A-1+	7,000,000	1 year
Lloyds TSB (Lloyds Banking Group)	GB	A	A1	A	F1	P-1	A-1	7,000,000	1 year
Nat West Bank (RBS Group)	GB	A	A2	A	F1	P-1	A-1	7,000,000	1 year
Royal Bank of Scotland (RBS Group)	GB	A	A2	A	F1	P-1	A-1	7,000,000	1 year
Standard Chartered Bank	GB	AA-	A1	AA-	F1+	P-1	A-1+	7,000,000	1 year
Santander UK PLC – Call Account	GB	A+	A1	AA-	F1	P-1	A-1+	4,000,000	Instant Access
BUILDING SOCIETIES	**COUNTRY**	**LONG TERM**			**SHORT TERM**			**LIMIT**	**MAX**
		Fitch	Moody's	S&P	Fitch	Moody's	S&P	£	**TIME**
Nationwide	GB	A+	A2	A+	F1	P-1	A-1	7,000,000	1 year
GOVT & LOCAL GOVERNMENT	**COUNTRY**	**LONG TERM**			**SHORT TERM**			**LIMIT**	**MAX TIME**
		Fitch	Moody's	S&P	Fitch	Moody's	S&P	£	
Debt management account/T Bills	GB	N/A	N/A	N/A	N/A	N/A	N/A	unlimited	1 year
UK local authorities	GB	N/A	N/A	N/A	N/A	N/A	N/A	5,000,000	1 Year
Cheltenham Festivals	GB	N/A	N/A	N/A	N/A	N/A	N/A	100,000	1 Year

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

OTHER	COUNTRY	LONG TERM			SHORT TERM			LIMIT	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P	£	
Gloucestershire Airport	GB	N/A	N/A	N/A	N/A	N/A	N/A	1,550,000	3 Years
Gloucestershire Everyman Theatre	GB	N/A	N/A	N/A	N/A	N/A	N/A	1,000,000	2 Years
Cheltenham Borough Homes	GB	N/A	N/A	N/A	N/A	N/A	N/A	5,000,000	2 Years
AAA Rated Money Market Funds		AAA	AAA	AAA	AAA	AAA	AAA	1,000,000	Instant Access
*UBICO (LA Company)	GB	N/A	N/A	N/A	N/A	N/A	N/A	500,000	1 Year

* UBICO is being set up to be run as a Local Authority Company from 1st April 2012. From time to time to assist the LA Company daily cash-flow the council will be required to lend monies to them on a similar basis to what already occurs with Cheltenham Borough Homes.

The Council's shorter term cash-flow investments are made with reference to the outlook for the UK Bank Rate and money markets. For these monies, the Council will mainly utilise its business reserve accounts, Money Market Funds, Government's Debt Management Office (including T Bills) and Term deposits with UK Banks in 2012/13. The maximum duration for any deposit to be made to the above financial institutions is one year apart from those highlighted in the "other" category. These periods can be reduced if the ratings of that institution are downgraded. Treasury officers will take on board Arlingclose's recommendations when it is received.

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

11.4 **Money Market Funds (MMFs)**
Money Market Funds will be utilised but good treasury management practice prevails, and whilst MMFs provide good diversification the Council will also seek to diversify any exposure by utilising more than one MMF. Currently the Council has no MMF's but they have been recommended to us by Arlingclose as another investment tool. We will be looking to open at least three of them when the Strategy is approved.

11.5 **The Use of Financial Instruments**
Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the Council does not intend to use derivatives. Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

12. **Annual Minimum Revenue Provision (MRP) Statement**
The annual MRP Statement is disclosed in Appendix 3.

13. **Balanced Budget Requirement**
The Authority complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

14. **Reporting on the Treasury Outturn**

The Director of Resources, (Designated Section 151 Officer) will report to Council on its treasury management activities and performance against the strategy at least twice a year, one at mid year and a year end review at closedown time.

The Treasury Management Panel will be responsible for the scrutiny of treasury management activity and practices.

15. **Other Items**

15.1 **Training**

In CIPFA's Code for Treasury Management, it requires the Director of Resources (Designated Section 151 Officer) to ensure that all appropriate staff and members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Training requirements will be identified and any shortfalls will be met by Arlingclose Ltd or other organisations.

15.2 **Treasury Advisors**

The CLG's Guidance on local government investments recommend that the Investment Strategy should state:

- Whether and, if so, how the authority uses external advisors offering information, advice or assistance relating to investment and
- How the quality of any such service is controlled.

15.3 The Council's external advisor on Treasury Management is Arlingclose Ltd, who can provide us with information, advice and assistance in all areas of treasury. The Council has a close working relationship with Arlingclose and are in contact with their advisors on a regular basis (weekly) and daily if necessary. A detailed schedule of services is listed within the contract.

 Appendix 3

Annual MRP Statement

Background:

1. For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the Revenue Account that was initially funded by borrowing.

2. In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31st March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations required a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, the Department of Communities and Local Government (CLG) produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.

3. The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by Full Council.

4. The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant. MRP is not required to be charged to the Housing Revenue Account. Where a local authority's overall CFR is £nil or a negative amount there is no requirement to charge MRP.

5. The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and Operating Leases can be brought onto the Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore amended the Capital Finance Regulations to ensure that the impact on the Revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

MRP Options:

6. Four options for prudent MRP provision are set out in the CLG Guidance. Details of each are set out below with a summary set out in Table 1:

   Option 1 – Regulatory Method:

7. This method replicates the position that would have existed under the previous regulatory environment. MRP is charged at 4% of the Authority's underlying need to borrow for capital purposes; the Capital Financing Requirement (CFR). The formula includes an item known as "Adjustment A" which was intended to achieve neutrality between the CFR and the former Credit Ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1st April 2004. The formula also took into account any reductions possible related to commutation of capital related debt undertaken by central government.

8. The General Fund MRP charge using this method is estimated at £0.390m for 2012/13.

Option 2 – CFR Method:

9. This method simplifies the calculation of MRP by basing the charge solely on the authority's CFR but excludes the technical adjustments included in Option 1. The annual MRP charge is set at 4% of the non-housing CFR at the end of the preceding financial year.

10. The General Fund MRP charge for this method is £nil for 2012/13.

Option 3 – Asset Life Method:

11. Under this method MRP is determined by the life of the asset for which the borrowing is undertaken. This can be calculated by either of the following methods:
(a) Equal Instalments: where the principal repayment made is the same in each year, or
(b) Annuity: where the principal repayments increase over the life of the asset.

    The annuity method has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

12. MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.

13. The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.

14. If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.

15. In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made. The maximum useful life for expenditure capitalised by virtue of a direction under s16(2)(b) is 20 years

16. MRP in respect of PFI and Operating Leases brought onto the Balance Sheet under IFRS falls under Option 3.

17. The General Fund MRP charge using this method is estimated at £0.409m for 2012/13.

Option 4 - Depreciation Method:

18. The depreciation method is similar to that under Option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the Income and Expenditure account.

19. The General Fund MRP charge for this method is £nil for 2012/13

Conditions of Use:

20. The CLG Guidance puts the following conditions on the use of the four options:

    Options 1 and 2 can be used on all capital expenditure incurred before 1st April 2008 and on Supported Capital Expenditure on or after that date.

Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1st April 2008. These options can also be used for Supported Capital Expenditure whenever incurred.

MRP Policy for 2011/12:

21. It is proposed that for 2012/13 the Council adopts Option 1 for Supported Borrowing and Option 3 for Unsupported Borrowing. For Option 3, the annuity method for calculating MRP will be used when applicable as it has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

Table 1

MRP under the CLG Guidance

MRP Options	1 Regulatory Method	2 CFR Method	3 Asset Life Method	4 Depreciation Method
Classifications of Capital Expenditure impacting on the CFR	Capital expenditure incurred before 1 April 2008			
	Supported Capital expenditure incurred after 1 April 2008		Unsupported Capital expenditure incurred after 1 April 2008	
			Expenditure capitalised by virtue of a Direction under s16(2)(b) of the Local Government Act 2003	
MRP Basis	Former regulations 28 and 29	4% of Non-Housing CFR	Equal Annual Instalments of Principal	Depreciation
Aspects of MRP charges	CFR excludes element attributable to Unsupported Capital Expenditure		EIP commences when asset operational	Depreciation MRP commences when asset operational
			Freehold land 50 years.	Depreciation MRP ceases when CFR component is £Nil
			Freehold land with structure >50 years	Depreciation MRP not adjusted for capital receipt
			Capitalisation periods	Depreciation MRP based on proportion of asset financed from "borrowing".
			PFI/Operating Leases brought on Balance Sheet under IFRS	

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Cheltenham Borough Council

Cabinet – 7 February 2012

Council – 10 February 2012

Housing Revenue Account - Revised Budget 2011/12 and Final 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 final budget proposals for 2012/13 for consultation.**
Recommendations	**1. Note the revised HRA budget and capital programme for 2011/12.** **2. Approve the 2012/13 HRA budget 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 2012/13 management fees and charges for Cheltenham Borough Homes as detailed in Section 4.** **4. Approve the 2012/13 HRA capital programme at Appendix 6.**

Financial implications	As contained in the report and appendices. **Contact officer: Mark Sheldon.** **E-mail: *mark.sheldon@cheltenham.gov.uk*** **Tel no: 01242 264123**

Legal implications	The Council cannot approve an HRA budget which would lead to an overall deficit on the account. **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 budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The 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 draft revenue budgets approved by Cabinet on 13th December 2011 have been amended as follows:-

- Forecast interest costs have been reduced by £112,000 to reflect updated estimates of interest rates on the additional debt for the self financing settlement
- It has been assumed that existing supporting people contracts will be extended to 30th September 2012 whilst alternative delivery models are evaluated, giving additional income of £75,000
- Allowance has been made for the repayment of an existing loan which is due to mature in February 2013. This will reduce the reserve balance carried forward by £1,392,000

1.2 It should be noted that the budget proposals are based on draft determinations from the Department for Communities and Local Government (DCLG) which will not be confirmed until late 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 previously approved for consultation the first draft of a new 30 year HRA business plan which identifies the impact of this fundamental change. A final draft of the plan is presented at agenda item 8. This forecasts significant additional resources arising from self financing and recommends the use of those funds to finance programmes of new build, further improvements to existing stock and additional support services for tenants.

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

3.2 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.

3.3 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.

3.4 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%

3.5 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.

3.6 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 £2,308,000 producing a surplus of £1,346,600 for the year.

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)	-1,423
Depreciation of dwellings (based on uplifted major repairs allowance)	-1,886
Supporting people funding (end of contract)	-75
Increase in CBH management fee (including growth proposals)	-184
Interest receivable (lower interest rates)	-52
Other (net)	36
Net increase	**2,308**

3.7 **Key assumptions used for the budget are:-**

- Interest payable is based on an estimated rate of 4.1% 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 has been sought from Arlingclose on the most effective debt management strategy.

- Existing supporting people contracts expire on 31st March 2012. Options for the continuation of the service are being evaluated but at present the draft budget only assumes income from the current contract to 30th September 2012.
- The Government has announced intent to stimulate Right to Buy sales by increasing discounts available to tenants. A consultation document outlining a range of options for delivering this policy has been published but the potential impact will remain unclear until the Government confirms its favoured approach. 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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.

3.12 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 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 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	**4,330,200**	**4,514,500**
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. Consultation process

6.1 The draft budget proposals approved by Cabinet on 13th December 2012 have been endorsed by the Board of Cheltenham Borough Homes Ltd. No further comments have been received

7. Budget Assessment of the Section 151 Officer

7.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents covering the robustness of estimates and adequacy of reserves. The Act requires

Councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

7.2 Traditionally this has been a separate report to council but, following a review by the Budget Working Group, it was recommended that a more succinct assessment be incorporated in the main budget report.

7.3 In responding to this request my assessment of the HRA budget are:

- The estimates have been prepared on the advice of professional officers; allow for inflation; are prudent and are sufficient to provide the level of services planned for 2012/13.
- The HRA Budget proposals for 2012/13 reflect the impact of the changes to Council Housing finance included in the Localism Act 2011. This scraps the existing HRA subsidy system in favour of a self financing regime. Local authorities currently paying subsidy will be required to take on additional debt to leave the subsidy system. The Council has prepared a new 30 year HRA Business Plan which forecasts substantial additional resources may arise from the move to self financing and proposes a strategy to use those funds. Although the plan relies on long term forecasts of a range of variables, these have been estimated cautiously to allow contingency for adverse variances. This plan will be subjected to robust monitoring and periodic review.
- The budget for 2012/13 shows a significant increase in surplus for the year and forecasts a balance in reserves at 31st March 2013 of £2.67m.after allowing for the repayment of an existing loan of £1.39m. This balance is well above the minimum contingency of £1.5m recommended in the business plan and represents a satisfactory position.
- The proposals for housing rent levels comply with the governments restructuring plans.

Report author	**Bob Dagger, Strategic Financial Advisor, Cheltenham Borough Homes** **Tel. 01242 264225;** ***e-mail address bob.dagger@cheltborohomes.org***
Appendices	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)
Background information	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 (particularly 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 to 30/09/12	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 waiting list. Current void levels are low and CBH is	Mar 2013	CBH through management agreement	

								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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HRA OPERATING ACCOUNT

APPENDIX 2

	2011/12 Original £	2011/12 Revised £	2012/13 Estimate £
EXPENDITURE			
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	1,951,300
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**	**17,640,100**
INCOME			
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	75,000
TOTAL	**17,954,100**	**17,958,200**	**18,958,400**
NET INCOME FROM SERVICES	**-350,300**	**-323,700**	**-1,318,300**
Amortised Premiums / Discounts	8,900	8,900	6,200
Interest Receivable	-67,400	-86,500	-34,500
NET OPERATING INCOME	**-408,800**	**-401,300**	**-1,346,600**
Appropriations			
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**	**1,346,600**
Revenue Reserve brought forward	**2,989,000**	**3,673,200**	**2,711,800**
Repayment of Debt			**-1,392,000**
Revenue Reserve carried forward	**1,896,700**	**2,711,800**	**2,666,400**

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

MAJOR REPAIRS RESERVE

	2011/12 Original £	2011/12 Revised £	2012/13 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
	3,326,900	**3,626,300**	**5,127,100**
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	**0**	**0**	**35,100**

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 Original £'000	2011/12 Revised £'000	2012/13 Estimate £'000
EXPENDITURE			
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
	4,828	**4,989**	**5,192**
FINANCING			
Capital Receipts			100
HRA Revenue Contribution	1,587	1,448	
Major Repairs Reserve	3,241	3,541	5,092
	4,828	**4,989**	**5,192**

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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Cheltenham Borough Council

Cabinet – 7 February 2012

Council – 10 February 2012

Housing Revenue Account Business Plan

Accountable member	**Councillor John Webster, Cabinet Member Finance and Community Development**
Accountable officers	**Mark Sheldon, Director of resources** **Jane Griffiths, Director of commissioning**
Accountable scrutiny committee	**Social and community**
Ward(s) affected	**All**
Key Decision	**No**

Executive summary

In October the Cabinet agreed an outline Housing Revenue Account (HRA) Business Plan, written in partnership with Cheltenham Borough Homes (CBH). Following consultation and further work with the council's treasury management advisors, the council is now in a position to approve a business plan.

This document sets out plans for the management and maintenance of CBC-owned housing stock for the 30 year period from 2012 to 2042. It has been developed at a time of significant changes in national policy that impact on social housing. These include reform of the council housing finance system, welfare reform and the necessary development of alternative models for the delivery of new stock following a reduction in direct government grant. The HRA is managed by CBH on behalf of the council and the business plan will therefore set the strategic direction for CBH over the life of the management agreement.

The move from the HRA subsidy system to a self financing regime is to be welcomed as it will provide both an increase in resources and greater local control of those resources. We have received the final details of the self financing arrangements which will provide additional resources of approximately £13.8 m over the first ten years. This will be used to repay debt, invest in the existing stock to provide better quality homes, establish a programme of new build and improve services to tenants.

In developing the business plan CBH have prepared a pro-active Asset Management Strategy which ensures that stock decisions are made through effective business planning protocols. The Asset Management Strategy is one of the key tools, which helps the council and CBH to meet and respond to varying housing need and demand.

The strategy is to use the additional resources arising from self financing in three ways:

- New Build – CBC will ask managing agent, CBH to identify delivery models for the provision of new housing. Our aim is to establish a continuous programme of new build, recognising that the scale of that programme may be restrained by availability of land and affordability.
- Existing Stock - priorities will include measures to address fuel poverty, the improvement of external areas through a continuation of the neighbourhood works programme, a review of sheltered housing
- Services to tenants – CBH will be requested to invest in further community development to address issues of anti-social behaviour, financial and social exclusion and unemployment

The development of HRA business plan was informed by a member seminar last year and by the cross party member housing review group. The plan has been informed by the opinions of tenants and leaseholders and other stakeholder partners and a consultation exercise was undertaken in November and December this year.

The business plan has been prepared using advice from the council's treasury management advisors (Arlingclose) who have modelled different debt scenarios. Their advice is that the plan as presented has the ability to service existing and new borrowing, and has sufficient flexibility to schedule maturities if cash flow assumptions are not achieved.

CBH will work with the council to develop detailed proposals for each of the strands which will be brought back through the appropriate approval process for consideration.

Recommendations **The Cabinet are asked to endorse the strategy as outlined in the business plan at Appendix 2, and recommend Council to approve the strategy as part of the budget setting process.**

Financial implications	The financial implications are set out in the business plan. **Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 775154**
Legal implications	There are no legal implications as a direct result of this report. **Contact officer: Donna Ruck, Solicitor donna.ruck@tewkesbury.gov.uk, 01684 272696**
HR implications (including learning and organisational development)	No HR implications arising as a direct result of the content of this report. **Contact officer: Julie McCarthy, julie.mccarthy @cheltenham.gov.uk, 01242 264355**
Key risks	**The key risks are set out in appendix 1 and a more detailed analysis is set out in the business plan itself**
Corporate and community plan Implications	The HRA business plan has been developed in the context of the of the council's corporate strategy. As detailed proposals are brought back for each strand of the work equality impact assessments will be undertaken.

Environmental and climate change implications	

1. Background

2.1 The previous system for council housing finance had been criticised by local authorities, tenants and housing professionals for some years. It was based on an impenetrable and volatile subsidy system that was underfunded and redistributive and did not give a stable basis for long term business planning.

2.2 The reform of council housing finance has involved all three major political parties. In 2009 the previous Labour government commissioned a comprehensive review which culminated in a consultation process with all stakeholders. Following on from this the government then published a *'prospectus for the future of council housing'* in March 2010 as a second stage consultation document. This document proposed the dismantling of the subsidy system through a 'self financing debt settlement'. This was accompanied by a financial model to be used for the calculation of debt settlements; the assumptions used in the model; and indicative figures for each authority. Essentially, self financing enables local Council's to buy their way out of the national subsidy system with a one off payment funded by very favourable borrowing rates from the PWLB. The properties are valued and any outstanding debt is subtracted from that value, and the difference paid back to the Government, who get a very substantial (national) capital receipt. Council's are then in a position where they can spend their rental income according to local priorities.

2.3 Following the change in government in May 2010 the coalition indicated that it would support the completion of HRA reform and carry forward the reforms to a conclusion. In February 2011 the Department for Communities and Local Government (DCLG) published *'Implementing self-financing for council housing'*. This document set out the methodology, financial parameters and timetable for the reforms and contained key financial information so that councils could see how they would be affected. This enabled local authorities to begin planning for the start of self-financing. This policy document was accompanied by *'a local authority financial model'* with indicative figures, a user guide and a report on the model inputs. This was not a consultation document as the Localism Bill, which was passing through Parliament, provided for the change to be compulsory for all local authorities in April 2012.

2.4 Published on the 28th July 2011 the document *'Self-financing: Planning the transition'* set out in detail the steps central government and councils should take between before April 2012 to make these reforms a reality. It also set out the accounting and regulatory framework that would support self-financing. CIPFA published a consultation document which sought to resolve accounting issues arising from the introduction of self financing.

2.5 The reforms will:

- scrap the current subsidy system through a one off debt settlement for each authority with future borrowing controlled by a debt cap. Rent increases are determined according to Government guidelines, and this advice contains the assumptions on which our projections are based'.
- give councils the resources, incentives and flexibility they need to more effectively manage their housing stock for the long-term and to drive up quality and efficiency
- provide tenants with the information they need to hold their landlord to account, by replacing the current opaque system with one which has a clear relationship between the rent a landlord collects and the services they provide

- replace the current annual subsidy payment with interest charges on additional debt. The balance of these two figures determines the initial net impact on the authority. The key variables looking forward are assumptions about future rent levels, interest rates and need to spend

2.6 The settlement figure for Cheltenham is £27.881m which is calculated as the net present value of 30 year notional cash flows of Cheltenham's rent income and expenditure and section 2 of the attached business plan gives further details of the assumptions used in developing the plan.

2.7 The DCLG reserves the power to re-open the settlement in the future but this is likely only to be used if there is a major change in policy which would have a substantial, material impact on the value of the business. No further guidance on HRA ring fence will be published we will continue to operate under existing guidelines using principle of 'who benefits pays'.

2.8 There is concern that the current economic situation and increase in rents using the government formula will mean that tenants find it increasingly difficult to meet their obligations. The HRA business plan has been prepared to take this into account and a greater allowance has been made for bad debt provision in arriving at the necessary calculations.

2. Reasons for recommendations

2.1 The council needs to set out a business plan for the housing revenue account which takes account of the new self financing regime and puts greater emphasis on the management of housing debt. Self financing will provide both an increase in resources and greater local control of those resources and the business plan sets out the financial projections. The plan has been drafted on the basis that debt levels will be maintained and that the additional resources, after meeting current service levels and essential investment needs, are used for further investment, with the exception of a debt maturing in 2013.

2.2 From the work undertaken with members and CBH board there was agreement that there should be a blended approach which includes new build, work to existing stock, environmental and sustainability improvements and earmarking of resource for developing the services delivered by CBH to help meet current and emerging local needs. CBH will work up detailed plans and proposals for approval.

3. Alternative options considered

3.1 The council could choose to prioritise one aspect over another but the consultation to date has shown an appetite for a blended approach. The outcome from consultation is set out in section 6 of the HRA Business Plan which shows greatest support for new build and improvements

3.2 The council's treasury management advisors worked with officers on different alternative debt repayment models and provided advice on the most suitable options.

4. Consultation and feedback

4.1 CBH have undertaken a range of consultation activities over the last few months and these have been collated used to help shape the strategy needs to meet these aspirations.

5. Performance management –monitoring and review

5.1 The HRA will be monitored through the service level agreement for CBH and through the normal budget monitoring procedures. Given the changes it will be important to monitor the financial aspects closely over the first few years to ensure that assumptions made are realised and if not that corrective action is taken as required.

Report author	**Contact officers** **Mark Sheldon Director of Resources ,** **Mark.Sheldon@cheltenham.gov.uk,** **01242 264123** **Jane Griffiths, Director of Commissioning** ***Jane.Griffiths@cheltenham.gov.uk*** **01242 264124** **Bob Dagger, Finance, CBH** **01242 264225**
Appendices	1. Risk Assessment 2. Draft Housing Revenue Account Business Plan 2012 to 2042
Background information	

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likeli-hood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	DCLG reserves the power to re-open the settlement in the future but says it will only be used if there is a major change in policy which would have a substantial, material impact on the value of the business. There are significant treasury management implications arising from these proposals and it is essential that early advice on funding decisions is obtained. Rental income is still subject to Government policy. The surpluses shown are primarily driven by rent increase assumptions in line with current policy.	Mark Sheldon	20/09/11	3	3	9	Reduce	Any investment decision should take into account the council's current view on interest rates. ArlingClose Ltd, the council's treasury advisors, have been appointed to advise on the impact that the HRA subsidy reform will have in respect of Cheltenham. The council has signed up to their Debt Allocation After Transfer (DAAT) service to ensure any borrowing limits are correctly allocated to the HRA.	1.4.2012	Paul Jones	Finance risk register
	The welfare reforms and benefit changes do not align to the proposed changes to social and affordable rents and there	Mark Sheldon	20/09/11	3	4	12	Reduce	Set realistic target levels re bad debts Continue to monitor the HRA closely in first years of self	31.3.2013	Bob Dagger CBH	CBH

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	is a risk as to what impact this may have on the HRA							financing and establish support systems and programmes to help people not on benefits from suffering financial difficulties which may force them into benefit dependency.			

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-4 (4 being the greatest impact)

Likelihood – how likely is it that the risk will occur on a scale of 1-6 (6 being most likely)

Impact Description	Impact score		Probability	Likelihood Description	Likelihood Score
Negligible	1		0% - 5%	Almost impossible	1
Marginal	2		5% - 15%	Very low	2
Major	3		15% - 30%	Low	3
Critical	4		30% - 60%	Significant	4
			60% - 90%	High	5
			> 90%	Very high	6

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

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APPENDIX 2

Cheltenham Borough Council
HRA Business Plan 2012 to 2042

draft version: January 2012

CONTENTS

1 EXECUTIVE SUMMARY AND INTRODUCTION

1.1 executive summary

This document outlines our plans for the Council's housing stock for the 30 year period from 2012 to 2042. It has been produced at a time of unprecedented change for social housing which includes:-

- Fundamental reform of council housing finance, moving from a national subsidy system to a self financing model
- Wide-reaching welfare reform
- The development of alternative financing models for the delivery of new stock

Our financial projections indicate that the move to self financing will produce significant additional funds for investment in the stock and improvements to tenant services. In the first 10 years we estimate that up to £13.8m could be available. In the longer term it is anticipated that annual surpluses will continue to increase allowing for both further investment and the repayment of debt.

Our strategy is to use these additional funds in three ways:-

- Invest in new build, recognising that that the scale of the programme may be restrained by the availability of land and affordability
- Improvements to the existing stock above the decency standard, priorities to include measures to address fuel poverty (particularly in non traditional stock), external areas and a review of sheltered housing
- Increased support for tenants to address issues of anti-social behaviour, financial exclusion and unemployment

We have consulted with our tenants and other stakeholders to establish their priorities and the feedback will be used to inform both the type and balance of future investment. We have asked our managing agent, Cheltenham Borough Homes, to produce detailed proposals for each of the above spending areas.

The delivery of our plans will require robust monitoring to ensure successful outcomes and we will undertake periodic reviews to identify any changes that may be required as a result of either external or internal factors.

1.2 introduction

1.2.1 background

The Council currently owns just under 4,600 units of social housing, split 50/50 between houses and flats. All of the stock is at least 30 years old as Government policy has been to direct funding for new build through Housing Associations since the 1980's. Our stock numbers have been reasonably stable for the last 5 years as annual losses from Right to Buy sales have diminished.

In 2001, the Government introduced the requirement for all council homes to be brought up to the Decent Homes Standard by 2010. Following a detailed consideration of the options available to us, the Council decided to establish an Arms Length Management Organisation, Cheltenham Borough Homes (CBH) to manage and maintain the stock. In 2003, CBH was successful in achieving a "good" rating for its services from the Audit Commission which resulted in additional funding of £31m from the Government. When added to local resources this enabled an investment programme of £70m to deliver the decent homes standard for all the stock. This was completed in December 2008, 2 years ahead of schedule and within budget

CBH was re-inspected by the Audit Commission during 2007: the Audit Commission awarded it the highest possible rating, *three stars for excellent services and excellent prospects for improvement*. CBH remains a top performing ALMO.

The Council has extended the CBH Management Agreement until 2020 and CBH has developed its Business Plan which provides a framework for consistent delivery on agreed objectives and an appreciation of resources to meet them. This sets out its strategic goals and operational priorities in detail for five years and then more generally to 2020. It has consulted widely with tenants in formulating this plan which ensures that current and developing customer need is married to local strategic priorities: helping to deliver the ambitions in the Community Strategy; the aims in the CBC Corporate Plan and the developing Housing and Homelessness Strategy.

The main focus of its work will continue to be the delivery of our core landlord services, ensuring it is performing to excellent standards and is able to respond to meet changing customer expectations and need. Maintaining excellent performance, high customer satisfaction and efficient services will be supported by effective monitoring, benchmarking, customer involvement and scrutiny, coupled with the involvement of customers to ensure relevant focus and service user scrutiny.

1.2.2 the future

There is a large excess of housing need over supply in Cheltenham with ongoing high demand for council housing. Our experience of tenancy turnaround and lettings activity in our stock suggests continued high demand for all but a very limited number of properties and property types. There are, nonetheless, some areas of council housing at risk of changing patterns of demand and need which require investment to provide a long term, sustainable future for the stock.

Our homes currently meet the Government’s ‘decency standard’ and we are committed to maintaining this level of decency into the future. Future investment will be proactive, identifying and replacing components and maintaining building elements before they fail. These will be identified by the use of stock condition software and physical surveys. CBH will also continue the neighbourhood works programme which seeks to improve the external environment for our communities. Our financial projections provide for the cost of this expenditure over the period of the plan.

We understand the importance of healthy communities and we are committed to continue to improve these, and the lives of the people living within them, by working together with residents and partners. CBH is a key partner in this regard, delivering services and supporting communities to develop cohesiveness and sustainability. CBH carries out many community development activities in some of the most deprived areas in the borough. It will continue to support several of the key aims as set out in the developing Housing and Homelessness Strategy and Corporate Plan by:

- improving opportunities to engage with education, training and employment
- reducing the impact of welfare reform
- promoting safer estates
- reducing fuel poverty
- reducing financial exclusion
- promoting healthy living
- carrying out projects supporting older people, often with health and mobility problems
- carrying out projects supporting young people, often with support needs

The Council and CBH have a strong track record of tenant involvement through a wide variety of mechanisms including meetings, conferences, focus groups and through newsletters and surveys. We are committed to continue to explore new, innovative and more effective ways of engaging with more of our customers. This contact enables us to understand views and gauge satisfaction; improve services; reflect customer needs and aspirations; and increases accountability to the people and communities we serve.

Tenants have played a key role in the successful development of our housing services; it is vital that this continues and that tenants play an increasing role in shaping both services and the ALMO business to 2020 and beyond. CBH will continue to offer and actively promote a range of engagement, involvement and development activities that will appeal to the widest possible audience. It will adopt a flexible approach to working with tenants responding to local circumstances and needs.

2 FINANCIAL PROJECTIONS

2.1 The move to self financing

The Government has now confirmed its intent to abolish the existing HRA subsidy system and move to a self financing regime for local authority housing from April 2012. Our projections reflect the anticipated impact of this very significant change.

For those authorities such as Cheltenham who currently pay into the subsidy system (£3.2m in 2011/12), the change will be accompanied by a settlement of additional debt. The payment of an annual subsidy to Government will, therefore, in part be replaced by the cost of interest charges on that debt. It is currently estimated that those debt costs will be significantly less than the subsidy thus increasing available resources. Furthermore, existing operating surpluses are expected to rise as the yield from future rent increases exceed cost inflation.

The draft determinations issued by DCLG in November 2011 show a settlement figure of £27.881m for Cheltenham. This is derived from a net present value calculation of 30 year notional cashflows of Cheltenham's rent income and expenditure.

2.2 The key variables and our assumptions

2.2.1 Base Inflation

Using the retail price index as a measure for inflation our projections assume:
September 2011 - 5.6%
September 2012 to 2014 - 2.75%
Thereafter at 2.5% per year

2.2.2 Rents

Government policy is that the rent for each property should continue to move incrementally to the figure derived from a national formula. This rent restructuring should be completed by 2015/16. Thereafter the formula rent will increase by inflation (as measured by the retail price index in the previous September) plus 0.5%.

We have therefore assumed rent increases as follows:-
April 2012 6.4%
April 2013 3.6%
April 2014 3.6%
April 2015 3.6%
April 2016 onwards at 3% p.a.

2.2.3 Management & Maintenance costs

We require our managing agent (CBH) to continue to seek value for money in the delivery of its services. Our projections for the cost of existing service levels in the early years of the plan target, in real terms, savings in the range of 1% to 2.5%. For 2016/17 onwards cost increases are currently shown at base inflation but these will be subject to further review.

2.2.4 Interest Rates

The additional debt to be taken on for self financing increases the impact of interest rate variations. As detailed in section 3 of our plan the initial cost will reflect both the rate paid on existing HRA debt and that on new borrowing to finance the settlement. Given that the Government is now offering a discounted rate on borrowing for the settlement, we have estimated the overall average rate at 4.25%.

2.2.5 Bad Debt Provision

This has been increased over the early years of the plan (to 2% of rent income) to reflect the impact of the introduction of direct benefit payments to tenants.

2.5.6 Reserves

The projections assume a minimum contingency of £1.5m.

2.3 Our projections

This plan covers the 30 year period to 2041/42 and the full term projections are attached at *Appendix 1.* These give assurances to the sustainability of our plan and suggest very significant additional resources will be available in the long term.

However it is more appropriate to concentrate on the short to medium term and the following table shows our summarised financial projections for the next 10 years.

These are presented on the assumption that all additional resources, after meeting current service level costs and essential investment needs, are used for further investment (the only exception being the repayment of an existing debt at normal maturity date in 2013). Funds available for additional investment are estimated at £13.8m during that period.

The level of annual surplus is restrained in years 5 to 9 by an increase in programmed investment during that period. From year 10 onwards the additional sums available for either increased investment and/or debt repayment show rapid growth.

Table 1 CHELTENHAM BC - HRA PROJECTIONS 2012/13 to 2021/22

Key assumption - All surplus resources used for further investment

Year	1 2012/13	2 2013/14	3 2014/15	4 2015/16	5 2016/17	6 2017/18	7 2018/19	8 2019/20	9 2020/21	10 2021/22	Total
Revenue Account	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rents	17,716	18,330	18,960	19,613	20,179	20,762	21,361	21,978	22,612	23,265	
Interest receivable	35	61	84	113	101	93	88	83	82	84	
Other income	1,242	1,196	1,227	1,257	1,289	1,321	1,354	1,388	1,422	1,458	
Gross income	18,993	19,587	20,271	20,983	21,569	22,176	22,803	23,449	24,116	24,807	
Management	6,347	6,454	6,564	6,656	6,691	6,859	7,030	7,206	7,386	7,571	
Maintenance	3,845	3,903	3,961	4,060	4,162	4,265	4,372	4,482	4,593	4,708	
Bad debt provision	225	275	367	379	392	403	415	427	439	452	
Other	151	114	95	76	81	90	92	94	96	99	
Depreciation	5,127	5,255	5,386	5,521	5,659	5,801	5,946	6,094	6,247	6,403	
Interest payable	1,951	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	
Capital contribution	0	514	593	2,897	3,034	3,113	3,194	3,276	3,360	1,900	
Gross costs	17,646	18,437	18,888	21,511	21,941	22,453	22,971	23,501	24,043	23,055	
Surplus	**1,347**	**1,150**	**1,383**	**-528**	**-372**	**-277**	**-168**	**-52**	**73**	**1,752**	
HRA reserve b/fwd	2,712	2,667	3,817	5,200	4,672	4,300	4,023	3,855	3,803	3,876	
	4,059	3,817	5,200	4,672	4,300	4,023	3,855	3,803	3,876	5,628	
Debt repayment	-1,392	0	0	0	0	0	0	0	0	0	**-1,392**
HRA reserve c/fwd	2,667	3,817	5,200	4,672	4,300	4,023	3,855	3,750	3,876	5,628	
Capital Expenditure											
Core	5,192	4,521	4,662	7,064	7,304	7,487	7,674	7,865	8,062	6,717	**66,548**
Additional Investment	0	1,383	1,417	1,454	1,489	1,527	1,566	1,605	1,645	1,686	**13,772**
Financed by:-											
Capital Receipts	100	100	100	100	100	100	100	100	100	100	
Depreciation Reserve	5,092	5,290	5,386	5,521	5,659	5,801	5,946	6,094	6,247	6,403	
Revenue Account	0	514	593	2,897	3,034	3,113	3,194	3,276	3,360	1,900	

Key assumption - All surplus resources used for further investment

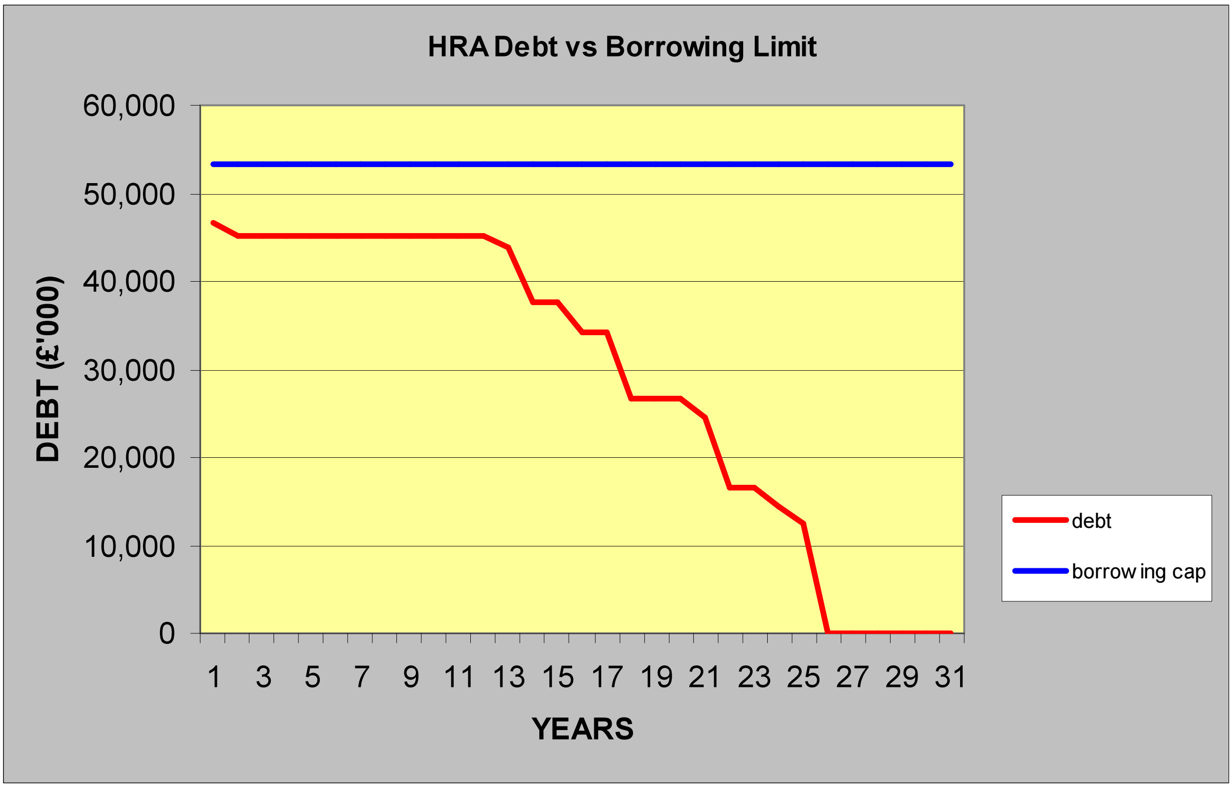
Year	1 2012/13	2 2013/14	3 2014/15	4 2015/16	5 2016/17	6 2017/18	7 2018/19	8 2019/20	9 2020/21	10 2021/22	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Debt forecast											
Opening debt	**46,609**	45,217	45,217	45,217	45,217	45,217	45,217	45,217	45,217	45,217	
Repayment	-1,392	0	0	0	0	0	0	0	0	0	
Closing debt	45,217	45,217	45,217	45,217	45,217	45,217	45,217	45,217	45,217	45,217	

2.4 Debt profile

The current HRA debt is £18.728m and our estimates suggest this will be increased by a further £27.881m through the self financing settlement giving a revised total of £46.609m. The Government is setting a future borrowing limit for each authority at the sum of the current notional subsidy debt plus the settlement – for Cheltenham this is estimated as £53,328m. This means that there will be borrowing headroom of £6.719m at April 2012 which we could use if the HRA can meet the additional financing cost.

Table 2 below shows the profile for repayment in the 30 year projections using the strategy outlined in paragraph 2.3 above and Section 3. The initial debt of £46.609m would be fully repaid by year 30.

Table 2 HRA Debt profile – self financing



2.5 Sensitivity Analysis

Our draft projections are based on information available at January 2012 and are still subject to significant change which may follow from a revision of the debt settlement and variations to interest rates and the retail price index.

The following chart quantifies the impact of changes in the key variables on the first 10 years of our plan:

Variable	Change	Impact on 10 yr surplus £'m
Interest Rates	+1% throughout period	-5.09
Rent Increases	-1% p.a. throughout period	-9.71

We have used cautious assumptions of these variables in the projections to minimise the risk of adverse variances.

3 DEBT MANAGEMENT

The move to a self financing HRA places a greater emphasis of the management of housing debt, ensuring that the costs of the HRA are clearly identified and do not impact on the General Fund. In future, the management of the HRA debt pool will be an integral part of the HRA business planning process.

Currently we maintain a single pool of debt for both HRA and General Fund purposes from which an apportionment of interest costs is charged to the HRA. It is now proposed that existing Council debt at 31st March 2012 will be split into two separate pools, one for the General Fund and one for the HRA. This will result in an average interest rate of 4.32% being charged on the existing debt of £18.728m attributable to the HRA.

The cost of new borrowing subsequently taken for HRA purposes, particularly to fund the self financing settlement of £27.881m, will also be directly attributable to the HRA and will not impact on the General Fund. The Government has announced that local authorities will be allowed to borrow at a discounted rate from the Public Works Loan Board (PWLB) to pay for the settlement in March 2012.

A range of options are available in deciding the future balance between investment and debt repayment. Following discussions with our treasury management advisors our strategy reflects the following objectives:

- Debt repayment should not prejudice investment options i.e. given the long term nature of the plan the Council requires both flexibility for future decisions and contingency for adverse variation in the planning assumptions
- Debt interest should be minimised
- Debt should not be held unnecessarily

The financial projections assume that debt repayment in the medium term will be limited to normal maturity of existing debt. This will enable the majority of surplus resources in the first 10 years of self financing to be available for investment in new build and the existing stock.
As annual surpluses increase it is anticipated there will be sufficient resources to continue further investment and make significant debt repayments. This would suggest that borrowing taken in March 2012 to finance the settlement should have a range of maturity dates from year 16 onwards. Our projections suggest that all debt can be repaid before the end of the 30 year period without prejudicing investment options.

4 ASSET MANAGEMENT STRATEGY: summary

This strategy considers the current investment needs of the CBH-managed housing stock, with reference to recent investment (last 5 years), proposed mid-term investment (next 5 years) and the overall 30 year Investment Plan which supports the CBH Business Plan. It also reviews a related range of strategic, property data and sustainability issues in order to present an overall account of the aspirations of CBH in respect of the quantity, quality and robustness of housing stock under ownership and management.

CBH has carried out stock condition surveys across 25% of homes in the last 12 months and has introduced new Asset Management software – PIMMS 4 Communities. These actions support both the collection of accurate property attribute data and the analysis thereof that informs robust property investment planning. This in turn contributes to the comprehensiveness and accuracy of both HRA and Business Planning. Below is a summary of the key points from the Asset Management Plan.

4.1 Need to Spend

Following the formation of CBH an investment plan was devised which had at its core the delivery of Decent Homes by March 2010. This target was met in December 2008 and since that time CBH has had a general investment programme based upon stock condition data and stock investment software which jointly inform the need to spend. In broad terms this can be summarised under the following headings:

- A Neighbourhood Works programme delivering environmental improvements to blocks
- Works to void properties, including a small number of major voids
- Investment in non-traditional housing to maintain its integrity
- Works to improve the insulation standards in properties
- The provision of level access showers and other aids & adaptations
- Works to building fabric - maintenance of walls and roofs
- Structural works as and when needs arise
- Replacement of boilers and heating systems
- The replacement of windows and doors
- The testing and removal of asbestos where required
- Upgrading and replacement of lifts to sheltered housing schemes
- The replacement of door entry systems
- Fire protection works as required
- Maintenance of digital aerial systems to communal blocks
- Electrical testing, upgrades and rewires
- The completion of decent homes works to any omitted properties
- The provision of transformational improvements to properties within St Paul's regeneration scheme

Through a software programme (PIMMS 4 Communities) CBH is able to forecast the total need to spend over a 30-Year period. This is detailed in full in the Asset Management Plan and is supplemented by additional expenditure for items included above but outside of the capacity of the PIMMS calculation.

4.2 Additional investment

From April 2012 there will be significant changes to the HRA and new challenges for CBC and CBH. It is currently estimated that the HRA reform will generate resources for additional investment. CBC and CBH have been jointly reviewing in a broad sense the options for utilising this available finance over coming years.

It has been generally agreed that there are three key themes for this investment, being:
- The maintenance of a programme for new build homes to address housing need in the Borough
- The provision of additional funding to invest in existing housing stock
- The enhancement of Neighbourhood Services through new initiatives

4.3 New build homes

CBH has successfully delivered the first new homes development of 16 units at Brighton Road and is on site with a further 48 new homes within the St Paul's regeneration project. Despite the setback of not securing Social Housing Grant from the Homes and Communities Agency (HCA) in the recent funding round, CBC and CBH remain committed to delivering the balance of the regeneration scheme at St Paul's (Phase 2) and concluding the replacement of defective Tarran bungalows by redeveloping Cakebridge Place.

In addition there are currently four garage sites with planning consent for redevelopment under the garage site rationalisation programme.

CBH has now been mandated to review options for these sites and to consider alternative funding arrangements to capital grant from the HCA. CBH will report back to CBC in February 2012 with proposals for further consideration.

CBH also has a mandate to liaise with developers looking at other CBC land assets, with a view to fulfilling the role of social housing provider or manager. Option reviews will again be carried out for discussion with CBC as above.

4.4 Further investment in existing housing stock

A key aspect of the consideration being given to programme options is the increasing prevalence of fuel poverty as energy prices continue to rise with significant increases forecast for the future. CBH is currently reviewing the optimum methodology for addressing fuel poverty including the opportunities provided through the adoption of renewable technologies.

CBH recognises that some of the current sheltered housing stock is suffering from low demand arising from its bedsit nature. Conversion to flats is an expensive option and would result in an overall loss of units. CBH will, however, need to address the occurrence of bedsits within three of the sheltered schemes within the near future.

Whilst the worst of the non-traditional stock is being addressed through the redevelopment of the Tarran bungalow sites at Brighton Road and Cakebridge Place, there remains a core of 'Cornish' non-traditional properties that will require significant investment within the life of the current investment plan. This is most likely to take the form of a standard works programme for Precast Reinforced Concrete (PRC) homes.

Whilst the Neighbourhood Works programme has addressed (and will continue to address) the external environment of blocks of properties, there are estate-based homes that also merit environmental improvements. The Transformational Improvements at St Paul's will provide a demonstration of the benefits to be gained from such investment and will help inform investment decisions for other areas.

5 RISK MANAGEMENT

Below are general descriptions of key housing risks as identified by the Housing Working Group. Many of these risks are shared with our ALMO. Further details are contained within our risk register.

Localism Bill

- **Allocations and Transfers**

If existing tenants are to be given priority outside of the allocations system our ability to make best use of stock to meet housing need and support stronger communities may be detrimentally affected.

- **Flexible tenancies**

Fixed term tenancies may create a range of issues; they may discourage households to improve their financial situation, generating more demand for social housing from those coming to the end of their fixed term tenancies, increasing homelessness, and producing bureaucratic and costly challenges for Registered Providers (RPs) in enforcing the termination of these tenancies.

As the localism bill is still in development, there is a risk to the local authority in setting its strategic direction or policy whilst there is an opportunity for emerging legislation to change it.

Affordable Homes Programme

- **Affordable rents**

If affordable rents on new build and % conversion rates from social rents to affordable rents are calculated without sufficient regard to local market forces, there is a heightened risk of households experiencing affordability issues, falling into arrears and becoming homeless. RPs may experience an increase in void times, with a resulting loss in revenue, plus an increased risk of crime/anti-social behaviour in these areas.

- **New Build**

RPs are not obliged to generate new build in this district using any increase in revenue they receive from affordable rents. Market forces may put pressure on them to finance new build outside the district.

Welfare Reform

- **Local Housing Allowance changes**

If existing tenants that are to be affected by the changes are not aware of the impact on them and their requirements than we will see an increase in people struggling to afford their properties and conversely an increase in debt issues and homelessness cases.

- **Affordability of the Private Rented Sector**

Changes to the LHA and other welfare reforms will lead to private rented accommodation becoming less affordable and less accessible. This will create more demand for social housing and will lead to increased homelessness and use of temporary accommodation, leading to increased financial costs to the Local Authority.

- **The implementation of the Universal Credit**

This will heighten the risk of vulnerable households mismanaging their financial affairs, as lump sum payments will be made directly to them. It is expected that all will have access to basic bank accounts.

- **Changes to HB calculations**

Changes on bedroom entitlement in the social housing sector will lead to accommodation being less affordable for those under-occupying social housing.

- **Houses in multiple occupancy**

There is likely to be an increase in houses of multiple occupation as under 35s become affected by the single room rent, which heightens the risk of lower accommodation standards within the district.

Low income households who do manage to access private rented accommodation are more likely to be forced into poorer standard accommodation which will be compounded further by the loss of Private Sector Renewal Funding.

Self-financing

- DCLG reserves the power to re-open the settlement in the future but says it will only be used if there is a major change in policy which would have a substantial, material impact on the value of the business
- There are significant treasury management implications arising from these proposals and it is essential that funding decisions are taken with the benefit of specialist advice
- Rental income is still subject to Government policy. The surpluses shown are primarily driven by rent increase assumptions in line with current policy
- There are a range of other assumptions used in our projections which are subject to external factors. Timely and robust monitoring will be required to identify variations and take corrective action

Supporting People

The failure to agree a county wide approach to implementing the strategy would result in an inability to manage the budget pressures and could result in reduction of services and/or failure to provide appropriate and integrated housing related support services. This would then impact disproportionately on the most vulnerable members of our community and may increase demand on homelessness budget.

6 COMMUNITY ENGAGEMENT

We wish our plan to be informed by the opinions of our tenants and other stakeholder partners. A range of consultation exercises were undertaken in the development of this Business Plan over a period of two months in late 2011. Involving people in the decisions we make which affect them is important to us. Council tenants have played a key role in the setting up of and the continuing successful development of CBH, helping the ALMO to achieve recognition as a *'3 star excellent'* organisation.

6.1 tenants and the development of this business plan

During October to December 2011, CBH used a wide range of methods in order to both raise awareness of the new self financing model and to obtain local views regarding new services and support provisions.

In order to engage with high numbers and 'need to reach' groups, CBH used means other than the regular Community Involvement events including:

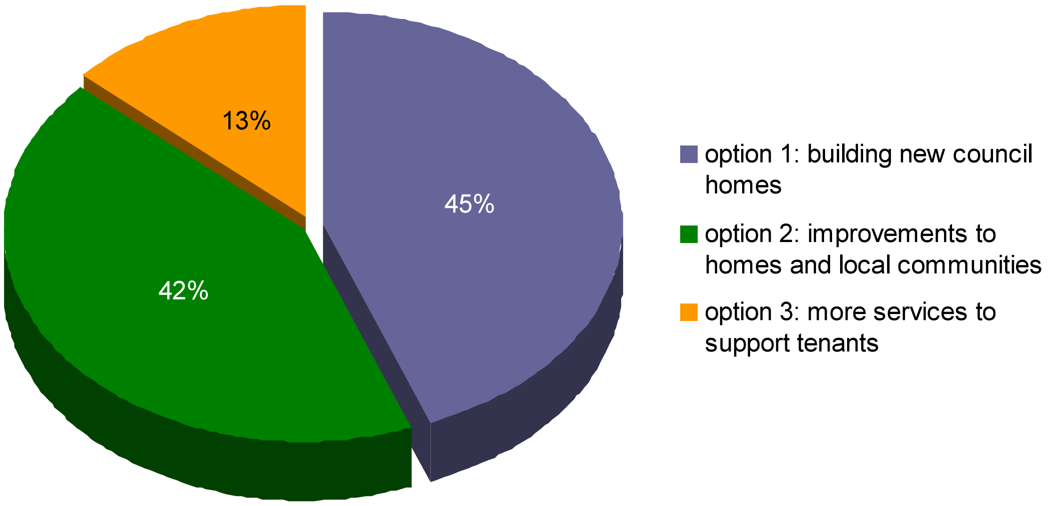
- CBH Surveys (Repair & Community Involvement)
- Neighbourhood Meetings
- Community Development events
- Community Representatives to survey their local areas
- Working groups
- Focus groups
- Learning Curve workshops
- Reception areas
- Community House & Hub
- Website
- Telephone surveys
- Public events
- Community Centres
- Customer Excellence Group (CEG)

6.2 consultation results

In total, 591 people responded to the survey during the period of consultation. One of the key questions asked of people in the consultation exercise sought to extract opinion as to what was the most important way to spend any additional money arising as a result of the self financing regime.

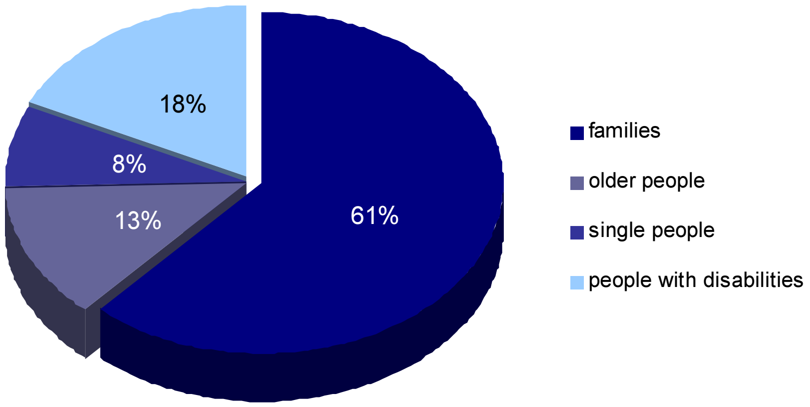
Three options were provided and the following pie chart shows the results. It shows the choices made by respondents for the 'most important' category only as a percentage of all choices against that category. It can be seen that there is a clear steer from respondents that both 'building new homes' and 'carrying out improvements to existing homes and communities' were of the most importance. Building new homes was indicated as most important slightly more frequently than improvements to existing homes and communities at 45% and 42%, respectively. The 'more services to support tenants' option was indicated as being the most important the least number of times, gaining a 13% proportion of the responses.

What is the most important way to spend additional money?



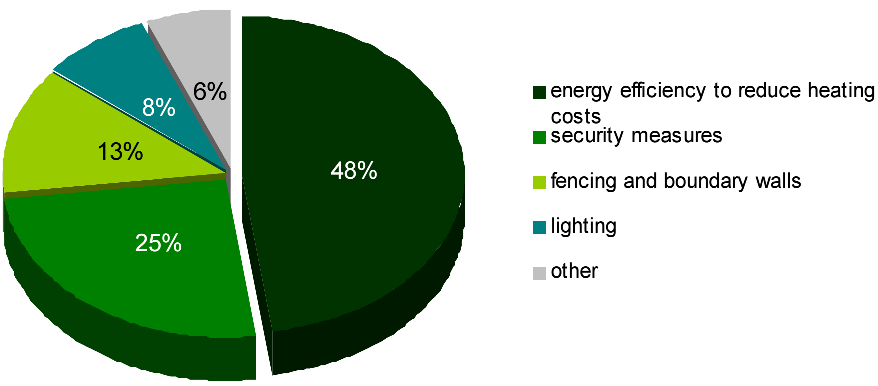
The following charts show the responses linked to each of the three options.

Linked to Option 1: for whom should new homes be built?



Should new homes be built, 61% of respondents ranked that they should be built for families. This was followed by people with disabilities at 18%, older people at 13% and single people at 8%.

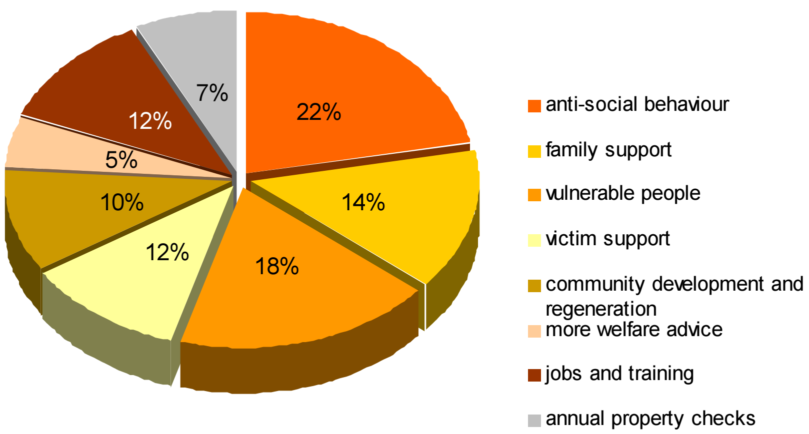
Linked to Option 2: what additional improvements should be considered inside and outside of homes?



Should additional improvements be made inside or outside of homes 48% of respondents indicated that it would be most important to carry out works to improve energy efficiency and reduce heating costs. 25% indicated that security measures would be most important, followed by fencing and boundary walls at 13% and security measures at 8%. Some respondents indicated specific works that fall within the above categories, these included:

- Works to windows
- Cycle stores
- Heating improvements
- Cavity wall insulation
- Damp reduction works
- Solar panels to all properties

Linked to Option 3: which do you consider to be the four most important additional services?

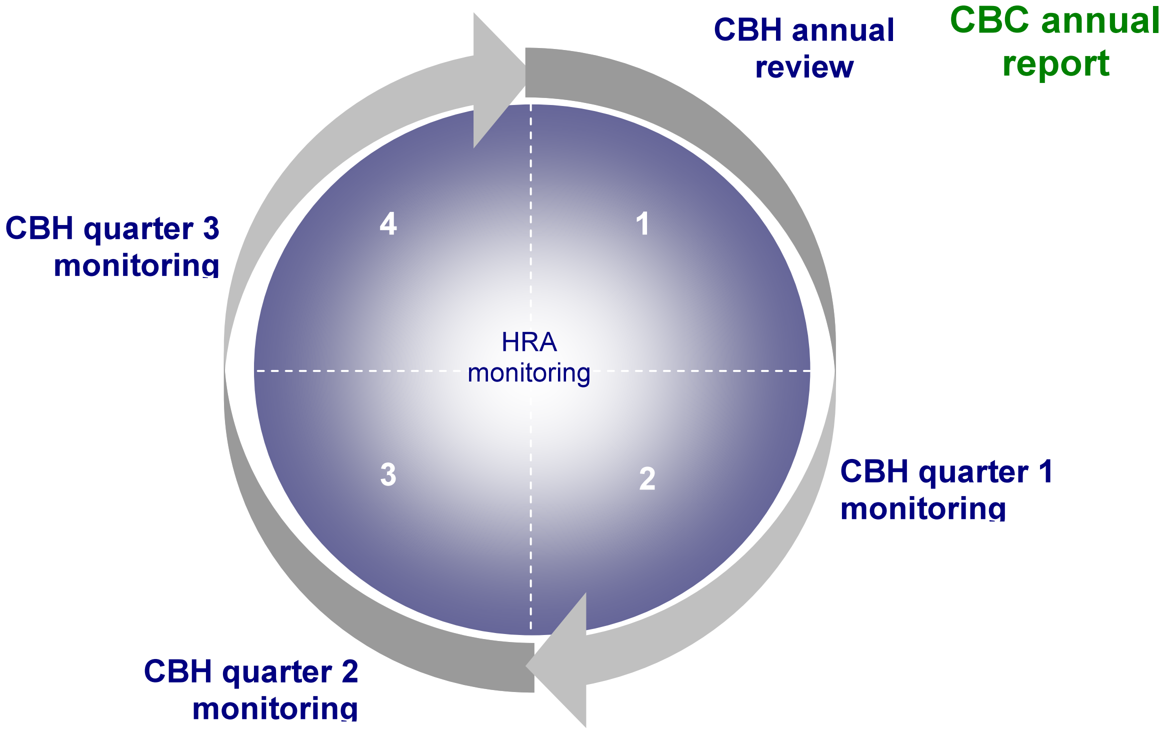


The distribution of responses as to which additional services should be considered is more varied, with the top five all within a 10% range of each other. 'Anti-social behaviour' emerged as the most important with 22% closely followed by services for vulnerable people at 18/%, family support at 14% and victim support and jobs and training at 12%. Community development and regeneration plus more welfare advice received 10% and 5%, respectively. Some respondents indicated that there were other areas to consider, these included:

- Help with looking after garden
- Finance support and guidance, e.g. money advice, how to live debt free, learning to save
- Young people services
- Childcare support, e.g. breakfast groups, playschools

7 MONITORING AND REVIEW

The HRA Business Plan will be monitored quarterly By CBH, looking at variations against budgets and reviewed annually, generating a report for the council. It is anticipated that it will require substantial review after three years followed by further reviews every five years.



8 CONCLUSIONS

We welcome the move to a self financing regime as a significant opportunity for increased investment in social housing for Cheltenham. Our financial projections anticipate up to £13.8m available in the first 10 years of the plan. We intend to adopt a blended approach to the use of these resources with funds being directed to 3 spending streams:-

- Investment in new build, recognising that the scale of the programme may be restrained by the availability of land and affordability
- Improvements to the existing stock above the decency standard. Priorities to include measures to address fuel poverty (particularly in non traditional stock), external areas and a review of sheltered housing
- Increased support for tenants to address issues of anti-social behaviour, financial exclusion and unemployment

We have asked CBH to develop detailed plans, informed by tenant and stakeholder feedback, for the delivery of this additional investment.

APPENDIX 1 CBC HRA PROJECTIONS 2012/13 TO 2041/42

Year	1 2012/13	2	3	4	5	6	7	8	9	10	11	12
Revenue Account	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rents	17,716	18,330	18,960	19,613	20,179	20,762	21,361	21,978	22,612	23,265	23,937	24,628
Interest receivable	35	61	84	113	101	93	88	83	82	84	121	163
Other income	1,242	1,196	1,227	1,257	1,289	1,321	1,354	1,388	1,422	1,458	1,494	1,532
Gross income	18,993	19,587	20,271	20,983	21,569	22,176	22,803	23,449	24,116	24,807	25,552	26,323
Management	6,347	6,454	6,564	6,656	6,691	6,859	7,030	7,206	7,386	7,571	7,761	7,954
Maintenance	3,845	3,903	3,961	4,060	4,162	4,265	4,372	4,482	4,593	4,708	4,826	4,947
Bad debt provision	225	275	367	379	392	403	415	427	439	452	465	479
Other	151	114	95	76	81	90	92	94	96	99	101	103
Depreciation	5,127	5,255	5,386	5,521	5,659	5,801	5,946	6,094	6,247	6,403	6,563	6,727
Interest payable	1,951	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,892
Capital contribution	0	514	593	2,897	3,034	3,113	3,194	3,276	3,360	1,900	1,950	2,002
Gross costs	17,646	18,437	18,888	21,511	21,941	22,453	22,971	23,501	24,043	23,055	23,588	24,104
Surplus	**1,347**	**1,150**	**1,383**	**-528**	**-372**	**-277**	**-168**	**-52**	**73**	**1,752**	**1,964**	**2,219**
HRA reserve b/fwd	2,712	2,667	3,817	5,200	4,672	4,300	4,023	3,855	3,803	3,876	5,628	7,592
	4,059	3,817	5,200	4,672	4,300	4,023	3,855	3,803	3,876	5,628	7,592	9,811
Debt repayment	-1,392	0	0	0	0	0	0	0	0	0	0	-1,392
HRA reserve c/fwd	2,667	3,817	5,200	4,672	4,300	4,023	3,855	3,803	3,876	5,628	7,592	8,419

Year	13	14	15	16	17	18	19	20	21	22	23	24
Revenue Account	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rents	25,339	26,070	26,822	27,596	28,393	29,212	30,055	30,922	31,814	32,732	33,677	34,648
Interest receivable	180	103	163	144	205	115	191	273	324	262	375	456
Other income	1,570	1,609	1,650	1,691	1,733	1,776	1,821	1,866	1,913	1,961	2,010	2,060
Gross income	27,089	27,782	28,635	29,431	30,331	31,103	32,067	33,061	34,051	34,955	36,062	37,164
Management	8,153	8,356	8,566	8,780	8,999	9,224	9,455	9,691	9,934	10,182	10,436	10,697
Maintenance	5,071	5,197	5,327	5,461	5,597	5,737	5,880	6,027	6,178	6,333	6,491	6,653
Bad debt provision	493	507	521	536	552	568	584	601	618	636	654	674
Other	105	108	110	112	115	117	120	123	125	128	131	134
Depreciation	6,895	7,068	7,245	7,426	7,611	7,801	7,997	8,197	8,401	8,611	8,827	9,047
Interest payable	1,731	1,599	1,525	1,451	1,292	1,133	1,133	1,088	874	704	659	571
Capital contribution	2,055	2,108	2,745	2,816	2,889	2,964	3,041	2,807	2,880	2,955	3,031	3,109
Gross costs	24,503	24,943	26,039	26,582	27,055	27,544	28,210	28,534	29,010	29,549	30,229	30,885
Surplus	**2,586**	**2,839**	**2,596**	**2,849**	**3,276**	**3,559**	**3,857**	**4,527**	**5,041**	**5,406**	**5,883**	**6,279**
HRA reserve b/fwd	8,419	4,809	7,648	6,763	9,612	5,388	8,947	12,804	15,242	12,283	17,689	21,433
	11,005	7,648	10,244	9,612	12,888	8,947	12,804	17,331	20,283	17,689	23,522	27,712
Debt repayment	-6,196	0	-3,481	0	-7,500	0	0	-2,089	-8,000	0	-2,089	-2,089
HRA reserve c/fwd	4,809	7,648	6,763	9,612	5,388	8,947	12,804	15,242	12,283	17,689	21,433	25,623

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Information/Discussion Paper

Cabinet - 7th February 2012

Workforce Change Protocol

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

1. Background

1.1 One of the risks highlighted as part of the Strategic Commissioning Programme is " if as a result of commissioning, services are delivered through others, and the principles and values that need to underpin service delivery (accepting there may be a need for subtle differences) are not made clear and understood, then delivery may be counter to those principles and values and could adversely impact reputation and performance". One of the agreed mitigating actions is to develop an agreement with the Council's recognised Trade Unions (Unison and GMB) on CBC's approach to managing change in the commissioning process.

1.2 The TUs had provided an initial template that had been used and agreed in other Councils, however this template was very much centred around procurement (in fact, outsourcing) of services, and needed to be amended to reflect the Council's commissioning context.

1.3 At a recent South West Employers and Public Service Managers Association meeting, it was confirmed that some councils had seen and agreed such an approach with the Trade Unions, some had seen it and not been willing to agree, and some were not aware of it. Setting in place such an approach, or otherwise, seemed largely to depend on the nature of the relationship between Council and Trade Union, and practice in managing workforce change.

2. Progress

2.1 The approach has been drafted as a protocol to guide action of both Council and Trade Unions rather than a formal agreement. It reflects "best practice" and as such it captures in one document the Council's approach in managing changes to the workforce reflecting the commissioning approach. The protocol also reflects the Council's current procurement practice. It will form part of the Council's guidance in managing workforce change, specifically setting out as it does, key points of engagement and consultation with the recognised Trade Unions.

2.2 The protocol was discussed and endorsed by the Strategic Commissioning Programme Board on 5th December 2011, and the Senior Leadership Team on 6th December 2011. One Legal has provided comment and advice on the document and approach.

Background Papers	See Attached Workforce Change Protocol
Contact Officer	Amanda Attfield, Director People, Organisation Development and Change, 01242, @cheltenham.gov.uk
Accountability	Colin Hay, Cabinet Lead, Corporate Services
Scrutiny Function	E&BI

COMMISSIONING SERVICES AND WORKFORCE CHANGE

A Protocol between Cheltenham Borough Council (and its Recognised Trade Unions (UNISON, GMB)

January 2012

1. General principles

a) This Protocol sets out the general approach which Cheltenham Borough Council (CBC) will follow in respect of the workforce aspects of commissioning. It is a statement of intent rather than a legally binding document.
b) CBC, its employees and the trade unions (TUs) are committed to providing high quality services that meet the needs of local communities.
c) CBC recognises that working together with trade unions to involve and engage them, is a vital part of facilitating effective change, protecting the workforce, and fostering positive employee relations, and raising service standards.

d) CBC will ensure it is aware of the best practice that fosters employee engagement, access to skills and development whilst securing quality outcomes in the provision of public services;

e) It is accepted that there will be some circumstances that will require transfer of CBC services (and employees engaged in them)) to other service providers/employers to be considered and, where this occurs, CBC recognises that the successful transfer of services should involve the following:

   i) TUs and employees to be consulted throughout the process;
   ii) Sufficient and relevant information to be provided in order that consultation can be meaningful;
   iii) Views emerging from consultation to be taken into account as part of considering the future delivery arrangements for the service;
   iv) CBC to work in partnership with TUs , from the time of an initial decision to undertake option appraisal for a service through to a final transfer of that service to another service provider.

f) CBC recognises the value of TU involvement in the workforce aspects of commissioning and wants to ensure that consultation with the TUs is meaningful so that their views can be taken fully into account. CBC will encourage potential new service providers to adopt the same relationship with TUs.

g) CBC believes that the recruitment and retention of high quality employees to work on delivering its services post any service transfer should be a key feature when assessing service delivery options. In this respect, CBC will require any non-CBC service provider to demonstrate its commitment to these principles in consideration of it being considered as a service provider. Where possible (and subject to employment legislation), such commitment will be included in the formal arrangements between CBC and the new service provider

h) Any proposed major change (i.e. externalisation) to service delivery will be equality impact assessed (or as legislation requires) including the impact on employees and on equal pay in line with local government's statutory duties.

i) CBC is committed to the **Principles of Good Employment Practice** in sourcing its service provision. Following the withdrawal of the Code of Practice in Workforce Matters in Public Sector Service Contracts in December 2010, (known as the "two tier code") the most recent guidelines can be found at http://www.cabinetoffice.gov.uk/resource-library/principles-good-employment-practice . These are appended to this Protocol.

j) CBC recognises that taking "mixed economy" approach to how public services are provided has the potential to generate opportunities for innovation, drive efficiency and value for money for the taxpayer.

k) This Protocol sets out how CBC will involve and consult with the TUs in the key stages of service review, transformation, or commissioning (including any procurement exercise that may be required).

l) This aProtocol will be reviewed every three years or sooner in light of any statutory or significant business changes.

2. Commissioning services (needs assessment, options appraisal, procurement, contracting and review)

CBC will

a) Follow the Principles of Good Employment Practice (see attached) or such national guidance as may be updated from time to time and, whilst the Principles are voluntary, CBC will encourage all service providers providing on its behalf to follow the Principles.

b) Engage with the TUs at the outset of any planned commissioning exercises, including planned commissioning cycle, needs analysis, options appraisal, procurement and contracting, stages.

c) Ensure that CBC's agreed values, and any principles in service delivery are incorporated as appropriate into the commissioning cycle, and in any planned commissioning exercises.

And specifically, when contracting:

i) Notify the TUs of the process, any evaluation criteria and scoring mechanism (when published) that will apply in determining the provider / award of contract and invite comment.

ii) Invite the TUs to attend open days and any open briefings as may be arranged with potential suppliers and offer the same opportunity as suppliers / contractors to comment on issues such as specification and process to be followed in any planned external service provision.

iii) If the TUs have legitimate concerns about potential providers, to consider carefully any concerns they raise

iv) Take into account the costs, governance arrangements and risks (e.g. a contracted out as opposed to an in-house service).

v) Engage with the TUs when it can reasonably foresee that there are likely to be potential employee transfer issues, and work with the TUs regarding any potential transfer of employees, providing the TUs with relevant detailed information.

vi) Draw the Principles of Good Employment Practice to a contractor/provider's attention, and will expect the service provider/contractor to comply with all statutory instruments relating to the transfer of employees.

vii) Ensure that where contracts exist for service provision, the contractors are made aware of their responsibility to comply with the general equality and sustainability duties.

3. Access to information

CBC will:

i) Where any information requested is commercially in confidence, inform the TUs that information is being withheld and the reasons.

ii) Carefully consider requests from the TUs for relevant information in respect of service provider bids.

4. Workforce issues

General

i) Employees transferred to a private sector employer do so under TUPE - Transfer of Undertakings (Protection for Employees) Regulations 1996 unless superseded by more recent legislation

ii) For a transfer of employees to another local authority, it will normally be agreed that the TUPE principles apply unless there is an agreed reason why not, e.g. secondment.

iii) CBC will comply with its statutory responsibilities under the TUPE Regulations.

iv) As part of the commitment to fair and reasonable terms and conditions, where a service provider employs new entrants that sit alongside former public sector workers, new entrants should have fair and reasonable pay, terms and conditions.

v) Service providers should consult with their recognised trade unions on the terms and conditions to be offered to new entrants.

Equalities

i) CBC will work to ensure that service provider policies and processes are entirely consistent with the responsibilities they have as employers under the Equality Act 2010, and will delegate relevant legal obligations when suppliers are carrying out public functions.

ii) CBC expects that suppliers will be able to demonstrate how working practices support their responsibilities as good employers.

Learning and Development

i) CBC is committed to workforce development and will encourage any of its service providers to make learning and development opportunities available to all transferred employees.

ii) CBC will encourage all providers to recognise the positive role of union learning representatives (ULRs)

iii) TUs will ensure that the providers know who the ULR is, and keep this information up to date.

iv) See also the attached Principles of Good Employment Practice.

TU Recognition and Facilities

i) In so far as can be lawfully imposed, TU recognition will continue for any group of employees transferred from CBC to the new service provider/employer, and TU representatives will continue to have reasonable access to facilities within the new employers organisation to enable them to carry out their duties effectively (e.g. use of email, internal post, phone).

Dispute resolution

i) CBC will require service providers delivering public services to have regard to good employee relations practice on dispute resolution. This includes treating employees fairly and ensuring compliance with the law on trade union membership.

ii) CBC will require service providers to ensure that where there is a dispute, employees are aware of and have access to clear processes for dispute resolution. The involvement of ACAS may be an option when disputes have not been resolved by internal support systems and processes.

Appendix 1

Cabinet Office

PRINCIPLES OF GOOD EMPLOYMENT PRACTICE

A statement of principles that reflect good employment practice for Government, Contracting Authorities and Suppliers

PRINCIPLES OF GOOD EMPLOYMENT PRACTICE FOR GOVERNMENT, CONTRACTING AUTHORITIES AND SUPPLIERS

The Coalition Government has committed to opening up government procurement and reducing costs. It has also set itself the aspiration that 25% of government contracts should be awarded to small and medium-sized businesses.

Government understands that value for money means securing the best mix of quality and effectiveness for the least outlay. This applies to the whole lifetime of goods or services from purchase through to disposal.

In support of its aspirations, Government has developed a statement of principles of good employment practice that will form part of good practice literature and be shared with contracting authorities and suppliers.[1]

Government wants:

- employers of all sizes and from all sectors to have the freedom and flexibility to motivate and reward their workforce, to meet business needs.
- public, private, voluntary and community organisations to learn from each other and share best practice in the spirit of continuous improvement.
- employers to be aware of the best practice that fosters employee engagement, access to skills and development whilst securing quality outcomes in the provision of public services;

Six principles

This document is a statement of principles that reflect good employment practice. These principles are supported by Government and are voluntary.

1. Government as a good client

i. *Through its commissioning, procurement standards and processes, central Government should encourage contracting authorities and suppliers to promote good workforce practices in the delivery of public services. Government will ensure that the workforce practices of the supplier are considered throughout the procurement process, where appropriate.*

ii. *Government will use outcome-based commissioning wherever possible; this is instead of prescribing how services are to be delivered. Using outcome-based commissioning will encourage more innovative approaches to the delivery of public services.*

2. Training and skills

[1] This set of principles is voluntary and sits outside of the formal procurement decision making process, but will be disseminated to suppliers and commissioners

i. *In letting and managing public contracts, the procurement process of contracting organisations will recognise the importance of basic skills such as literacy, numeracy and spoken english where these skills are relevant. These skills are often required in the delivery of public services, and enable the workforce to provide better quality services, particularly those in customer facing roles.*

ii. *Suppliers will be able to demonstrate that staff have appropriate training, qualifications and access to continuing professional development as befits their role; and that staff are supported to develop their skills and grow their experience in line with any future roles that maybe expected of them.*

iii. *Where there is a recognised trade union, suppliers will consult on workforce training and development issues.*

3. A commitment to fair and reasonable terms and conditions

i. *Where a supplier employs new entrants that sit alongside former public sector workers, new entrants should have fair and reasonable pay, terms and conditions. Suppliers should consult with their recognised trade unions on the terms and conditions to be offered to new entrants.*

4. Equality

i. *Contracting organisations will ensure that supplier policies and processes are entirely consistent with the responsibilities they have as employers under the Equality Act 2010. Government will ensure it delegates relevant legal obligations when suppliers are carrying out public functions.*

ii. *Government expects that suppliers will be able to demonstrate how working practices support their responsibilities as good employers.*

5. Dispute resolution

i. *All suppliers delivering public services should have regard to good industrial relations practice on dispute resolution. This includes treating employees fairly and ensuring compliance with the law on trade union membership.*

ii. *Suppliers will ensure that where there is a dispute, employees are aware of and have access to clear processes for dispute resolution. Government expects suppliers to consider the services of ACAS[2] as an option that is explored when disputes have not been resolved by internal support systems and processes.*

iii. *Where an employee has a right to be represented by a trade union, the employer will work with the employee and recognised trade union representative in resolving any dispute.*

6. Employee engagement

[2] ACAS is the Advisory, Conciliation and Arbitration Service. ACAS provides free, confidential and impartial advice on a wide range of employment and industrial relations issues

i. *The themes identified in **Drive for Change**[3] place leadership, the design and delivery of service improvements, communications and a framework for staff engagement as vital components in ensuring and enhancing employee engagement.*

ii. ***The MacLeod Review**[4] on employee engagement cited evidence of a positive correlation between an engaged workforce and improving performance. Building on the findings of the review, Government will encourage contractors to develop effective staff engagement strategies that enable people to be the best they can be at work.*

iii. *Government recognises the premise that engagement between employee, employer and a recognised trade union where appropriate can be a key to unlocking productivity and creating a motivated workforce that feels respected, involved, heard, is well led and valued by those they work for and with.*

Review

The impact of these principles on employment practice will be reviewed by the Public Services Forum in January 2012. The Forum will assess how the principles contribute to good employment practices in the delivery of contracted out services.

Cabinet Office
70 Whitehall
London
SW1A 2AS

December 2010

www.cabinetoffice.gov.uk

[3] Drive for Change is a practical tool for staff engagement in service improvement. The Drive for Change initiative was developed and supported by Cabinet Office and the Trades Union Congress and is currently in the process of being refreshed.
[4] The MacLeod Review was commissioned by the Department for Business, Innovation and Skills to take an in-depth look at employee engagement and to report on the potential benefits for organisations and employees.

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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Briefing Notes

Name of Committee: Cabinet

Date of meeting: 7 February 2012

Responsible Officer: Director Commissioning

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

If Members have questions relating to matters shown, they are asked to contact the Officer indicated.

The Mayor's Car

During 2011 the Mayor's car was provided under a 3 year leasing arrangement which came to an end on 26 December 2011.

Members will recall that during the budget public consultation in the summer of 2010, there was a significant proportion of those who responded who thought that the car was something that could be stopped. With this in mind and with the current financial constraints, it was appropriate to review all the options for its replacement before renewing the lease and this review has now been completed.

The option of not having a car at all was considered but it was concluded that there was still a need and the Mayor's officer also played an important role in supporting the Mayor when attending events and had other civic duties. Savings have already been achieved in 2011/12 by reducing the hours of the Mayor's Officer from 37 hour to an average of 20 hours per week. This is now an ongoing saving.

The car must meet the transportation needs of the Mayor but it is also important that any car we purchase or lease should 'work harder' and not stand idle. Therefore when not in use by the Mayor it could be made available to other staff provided they return it in the same condition. For example a group of staff may attend a meeting at a neighbouring council. This will need to be checked out the council's insurance officer to ensure there are no issues. There may be more opportunities with shared services as the whole organisation goes through a period of major change and we adopt more flexible working across many locations. Some flexibility is needed whilst these changes settle in.

The options for an electric or hybrid car have been explored but these are still developing technology and could be more expensive to buy or lease and issues do arise about where the car can be parked for recharging.

As the lease ran out in December, interim arrangements were put in place to hire a Ford Mondeo at a very competitive monthly cost which was less than the monthly payments for the lease on the Mayor's car in 2011. This provides a very flexible option as the hire arrangements can be cancelled and reinstated very easily. This provides a modern car and facilitates the selection of a car with lower emissions.

The review concluded that the option which provides the most flexibility is to continue with the current arrangement of continuing to hire a car on a regular basis but looking to save costs by:

- Negotiating a good deal with the hire company for a range of hire periods and monthly hire when appropriate
- Forward planning of the Mayor's diary so periods when a car is not needed can be identified and the hire car returned
- Making staff in the council aware that the car could be available for business use when not required by the Mayor
- Develop a protocol on use of the car and seek to make savings on local journeys close to the town centre
- Selecting a hire car that is efficient on fuel usage and CO_2 emissions

The current Cabinet Member Corporate Services takes the office of Mayor in 2012/13. This will provide the opportunity to continue to review the arrangements and identify any further savings which could be made in future years.

Contact Officer: Rosalind Reeves, Democratic Services
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Email: Rosalind.reeves@cheltenham.gov.uk