



CHEL TENHAM

BOROUGH COUNCIL

Notice of a meeting of Council

Friday, 10 February 2012

2.30 pm

Council Chamber, Municipal Offices

Membership	
Councillors:	Barbara Driver (Chair), Colin Hay (Vice-Chair), Garth Barnes, Ian Bickerton, Nigel Britter, Chris Coleman, Tim Cooper, Bernard Fisher, Jacky Fletcher, Wendy Flynn, Rob Garnham, Les Godwin, Penny Hall, Rowena Hay, Diane Hibbert, Sandra Holliday, Peter Jeffries, Steve Jordan, Robin MacDonald, Paul Massey, Helena McCloskey, Andrew McKinlay, Heather McLain, Paul McLain, John Rawson, Anne Regan, Diggory Seacome, Duncan Smith, Malcolm Stennett, Charles Stewart, Klara Sudbury, Lloyd Surgenor, Jo Teakle, Pat Thornton, Jon Walklett, Andrew Wall, John Webster, Paul Wheeldon, Simon Wheeler and Roger Whyborn

The Council has a substitution process and any substitutions will be announced at the meeting

Agenda

1.	PRAYERS	
2.	APOLOGIES	
3.	DECLARATIONS OF INTEREST	
4.	TO APPROVE AND CONFIRM THE MINUTES OF THE MEETING HELD ON; 12 December 2011	(Pages 1 - 12)
5.	PUBLIC QUESTIONS These must be received no later than 10am on the fifth working day before the date of the meeting.	
6.	APPOINTMENT OF MAYOR ELECT AND DEPUTY MAYOR 2012/13 Report of the Chief Executive	(Pages 13 - 18)
7.	COMMUNICATIONS BY THE MAYOR	
8.	COMMUNICATIONS BY THE LEADER OF THE COUNCIL	

9.	MEMBER QUESTIONS	
10.	ADOPTION OF LICENSING ACT 2003 POLICY STATEMENT Report of the Cabinet Member Housing and Safety	(Pages 19 - 58)
11.	<p>GENERAL FUND REVENUE AND CAPITAL - REVISED BUDGET 2011/12 AND FINAL BUDGET PROPOSALS 2012/13 FOR CONSULTATION (INCLUDING SECTION 25 REPORT) Report of the Cabinet Member Finance & Community Development and the Director of Resources</p> <p>The following is the recommended process to be followed for the debate relating to the Council’s Budget for 2012 – 2013, (Agenda item 11). The rules of procedure shall be varied accordingly for this item only.</p> <p>1. The Mayor to propose suspension of the following rules of debate:</p> <ul style="list-style-type: none"> - That the time limit on speeches is relaxed with regard to the following speeches:- <ul style="list-style-type: none"> ▪ Cabinet Member Finance and Community Development, (F), when moving the motion to adopt the budget being proposed by the Cabinet (“the Cabinet’s budget”), Stage 2(i). ▪ Group Leaders when making Budget Statement on behalf of group, Stage 3(i) – (ii). - To permit the Cabinet Member F and Group leaders to speak more than once in the debate, (in addition to any right of reply etc), for the purpose of putting and answering questions at Stage 2(iii). <p>2. Budget Statement and moving of motion</p> <ul style="list-style-type: none"> (i) The Cabinet Member F shall deliver the budget statement and formally move the resolutions set out in paragraph 1.2 of the report of the Cabinet Member Finance. (N.B. Not time limited) (ii) The seconder shall formally second the motion. (N.B. The seconder may reserve their speech until later in the debate prior to the closing speeches) 5 minute limit applies. (iii) Members may then ask questions of the Cabinet Member F (who may refer them to the Chief Finance Officer when appropriate), on matters relating to agenda item 13. (N.B. members are limited to one question only, without supplementary, and the Cabinet Member F shall wait until all questions have been put before responding). <p>3. Statements by Group Leaders</p> <ul style="list-style-type: none"> (i) Statement on behalf of the Conservative Group including tabling but not moving, any proposed amendment to the 	(Pages 59 - 112)

	<p>Cabinet's budget. (no time limit)</p> <p>(ii) Statement on behalf of the People Against Bureaucracy Group including tabling, but not moving, any proposed amendment to the Cabinet's budget. (No time limit).</p> <p>4. Formal moving, Seconding, debating, discussion and voting on any amendments tabled in the following order:</p> <p>- People Against Bureaucracy Group - Conservative Group</p> <p>N.B.</p> <ul style="list-style-type: none"> ▪ The Cabinet Member F has the right to a speech in reply at the end of the debate on <u>any</u> amendment. (10 mins). ▪ The mover of an amendment may speak to move the amendment, (10 mins), and also has the right of reply to the debate immediately before the speech of the Cabinet Member F. (10 mins). ▪ Amendments carried will become part of the substantive motion going forward. Once all proposed amendments have been debated and put to the vote the final version of the motion shall go forward to the next stage. <p>5. Consideration of Amendments</p> <p>(a) If the Cabinet's budget has not been amended, the Cabinet Member Finance and Community Development to formally propose the budget (no speech), and the final proposal will be debated and voted upon subject to the Cabinet Member F's right of reply (10 mins).</p> <p>(b) If the Cabinet's budget has been amended, before it is further debated and voted upon, the Mayor shall propose a brief adjournment in order that the Cabinet Member F can consider whether:</p> <ul style="list-style-type: none"> (i) the amendments are acceptable to the Cabinet - in which case the meeting will proceed as at (a) above; or (ii) the amendments are not acceptable to the Cabinet - in which case, the meeting will proceed as at (a) above save that, in accordance with the Budget and Policy Framework Rules, the Council may only make an in-principle decision which will be published and provided to the Leader of the Council for consideration. 	
12.	HOUSING REVENUE ACCOUNT BUSINESS PLAN Report of the Cabinet Member Housing and Safety	(Pages 113 -

		144)
13.	HOUSING REVENUE ACCOUNT - REVISED BUDGET 2011/12 AND FINAL BUDGET PROPOSALS 2012/13 FOR CONSULTATION Joint report of the Cabinet Member Finance & Community Development and the Director of Resources	(Pages 145 - 160)
14.	TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2012/13 Report of the Director of Resources	(Pages 161 - 184)
15.	NOTICES OF MOTION	
16.	TO RECEIVE PETITIONS	
17.	ANY OTHER ITEM THE MAYOR DETERMINES AS URGENT AND WHICH REQUIRES A DECISION	

Contact Officer: Saira Malin, Democracy Officer, 01242 775153

Email: democratic.services@cheltenham.gov.uk

Council

Monday, 12th December, 2011

2.30 - 4.30 pm

Attendees	
Councillors:	Barbara Driver (Chair), Anne Regan, Garth Barnes, Ian Bickerton, Nigel Britter, Chris Coleman, Tim Cooper, Bernard Fisher, Jacky Fletcher, Wendy Flynn, Penny Hall, Colin Hay (Vice-Chair), Rowena Hay, Diane Hibbert, Sandra Holliday, Peter Jeffries, Steve Jordan, Robin MacDonald, Paul Massey, Helena McCloskey, Heather McLain, Paul McLain, John Rawson, Diggory Seacome, Duncan Smith, Malcolm Stennett, Charles Stewart, Klara Sudbury, Lloyd Surgenor, Jo Teakle, Pat Thornton, Jon Walklett, Andrew Wall, Paul Wheeldon, Simon Wheeler and Roger Whyborn

Minutes

1. PRAYERS

Reverend Tim Mayfield opened the meeting with a prayer.

2. APOLOGIES

Councillor(s) Garnham, Mckinlay and Webster had given their apologies.

3. DECLARATIONS OF INTEREST

Councillor Barnes declared a personal interest in agenda item 15 as the chairman of the Trustees referred to in the report.

Councillor Hall declared a personal interest in agenda item 15 as a member of the Trustees referred to in the report.

Councillor Driver declared a personal interest in agenda item 15 as the Mayor was an ex-officio member of the Trustees referred to in the report and announced her intention to leave the chamber for agenda item 17.

Councillor Whyborn declared a personal interest in Agenda item 10 as a member of Hatherley Parish Council.

Councillor McCloskey declared a personal interest in Agenda item 10 as a member of Charlton Kings Parish Council.

Councillor Regan declared a personal and prejudicial interest in Agenda item 10 as a member of Leckhampton and Warden Hill Parish Council and would leave the chamber for this item.

4. TO APPROVE AND CONFIRM THE MINUTES OF THE MEETING HELD ON 10 NOVEMBER 2011

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The draft minutes of the last meeting had been circulated with the agenda.

The Mayor reminded members that the purpose of the minutes of a meeting is to enable the reader to understand the context and reasons for the decision which was taken. Minutes are not a verbatim record of the content of the meeting but a summary of the proceedings which occurred. Consequently, speeches by members of the Council will not appear in full, but the main points will be summarised. The minutes must, of course, be accurate and therefore if there is any concern as to the accuracy, the appropriate amendment should be proposed and, if seconded, the Council will vote on whether or not to accept the amendment.

Councillor Bickerton advised that there were two important points he had raised during the debate on the consultation for the Joint Core Strategy which he did not feel were covered in the minutes. He referred to a printed sheet that had been circulated to members in which he proposed the following amendment.

"I request that the following text to be added to the 10th Nov. 2011 Council minutes, on page 13 following the paragraph beginning

"A number of Member voiced concerns....."

A member said that in his view the Council needed to promote this public consultation, make it easy for the public to give comment and feedback in any form, email and simple website access and letters. He requested that a simple an e-petition website be provided on CBC Website, a short member agreed questionnaire and comment, to further promote public consultation in Cheltenham.

Given the size of the JCS tome issued to members last week, over 500 pages, not including the JCS evidence base, he considered it was fair to say that the public were going to find a consultation period of 8 weeks difficult. The complexity of the JCS with economic, social and environmental dimensions would be difficult to assimilate and analyse in this short period, members had the advantage of many member briefings. He requested officers to consider ways and means of extending the consultation period, keeping public engagement open to the summer of 2012 whilst maintaining the JCS Timetable.

He further added t hat the themes starting on page 84 demonstrate that development to the north and south of Cheltenham (C2 & C6) have little or no advantages, they do not feature in Theme 2 – Coalescence Avoidance or Theme 3 Existing Infrastructure and in Theme 1 the economic opportunities narrative fails to make a case under access to infrastructure or accessibility. Having looked at the JCS previous public consultation, development maps on page 165/166, he urged members to note the very few green dots on open countryside and the many RED marking inappropriate for development."

In the absence of a seconder for this proposed amendment, it was dismissed.

Upon a vote it was

RESOLVED that the minutes of the meeting held on the 10 November 2011 were agreed and signed as an accurate record.

5. PUBLIC QUESTIONS

The following response was given to the public question received. The questioner was not present at the meeting so there was no supplementary question.

1.	Question from Mr George Readman to the Leader of the Council
	<p>Figures provided by the council in response to Freedom of Information request (ref 1455) show that, in addition to mileage costs, more than 90 employees were paid the essential car user rate in the years 2007/08 and 2008/09, and from 2009/10 more than 80.</p> <p>A review was carried out in October 2010, and although the criteria had not changed, found that only 40 satisfied the criteria for "essential user" rate and the remaining 41, which included ALL of the senior management team, should have the benefit removed or reduced. Payment was not stopped and they continued to receive the "essential user" payment, at over £100/month each, until April 2011 when the changed rules would allow them to be paid "compensation" because the allowance had been either lost or reduced.</p> <p>Will the Leader of the Council please explain;</p> <p>A. Why the payment continued to be paid after the review to those found not to qualify and;</p> <p>B. Why the council changed the car user policy and arranged that those who failed to meet the criteria and either lost the allowance or had it reduced, result should be compensated for losing a benefit for which they no longer qualified?</p>
	Response from the Cabinet Member Corporate Services
	<p>A. The Council has consulted with its staff and their representatives to review the application of the car allowance policy to identify much needed cost saving measures. There has been a clear emphasis of collective responsibility across the Council to find these financial savings and the payment of car allowances is just one example of this approach. This does not mean that the previous payments were inappropriate or in breach of the policy. Indeed, there is evidence that some staff (notably within the senior leadership team) have effectively waived their right to receive car allowances in recognition of the imperative for financial savings.</p> <p>The Council's agreed Car User Policy provides for an annual review and an agreed means of withdrawing the allowance. The Council is fully entitled to agree such policies locally as part of The Green Book (National Terms and Conditions) Part three provisions</p>

	B. I refer you to my previous answer.

6. COMMUNICATIONS BY THE MAYOR

The Mayor congratulated the Tourist Information Centre for being awarded a Green Tourism Business Award in silver.

She referred to the seminar which had been held prior to the Council meeting by Gloucestershire Fire and Rescue and urged members to respond to the questionnaire which had been circulated.

7. COMMUNICATIONS BY THE LEADER OF THE COUNCIL

The Leader advised members that the consultation on the Joint Core Strategy would be launched on Tuesday 13 December. There would be a range of exhibitions, presentations and seminars throughout the consultation period and all members were urged to participate.

8. MEMBER QUESTIONS

The following responses were given to the two Member questions received and there were no supplementary questions.

1.	Question from Councillor Surgenor to Cabinet Member Sustainability, Councillor Whyborn
	Will the Cabinet member confirm that the collection of Garden Waste is not losing money?
	Response from Cabinet Member Sustainability, Councillor Whyborn
	Yes. Take up of brown bins is now 11,000, and the latest budget update for 2011/12 is as follows: Expenditure £409,400 Income £414,000 To put this in context, had the Council not introduced the new brown bin scheme, and still had to bear the cost of the previous scheme, it is doubtful if there would have been sufficient revenue to fund the new kerbside recycling scheme for food and plastics. The consequence of such inaction would have been to preclude the increase in Cheltenham's recycling rate to 50% in the first quarter of 2011/12.
2.	Question from Councillor Surgenor to Cabinet Member Sustainability, Councillor Whyborn
	Will he confirm that we are still working towards a joint waste partnership with Gloucestershire CC and other district councils for both environmental and cost saving reasons?
	Response from Cabinet Member Sustainability, Councillor Whyborn
	Yes we are, and clearly the principle of combining the collection and disposal organisations enables more effective and efficient working, as does the principle of working across boundaries with other collection authorities, and sharing resources etc etc. However it would be right to

	<p>add some caveats, in that Tewkesbury Borough Council have now put the Joint Waste Committee on hold, as far as TBC participation is concerned.</p> <p>As a consequence Cabinet will re-examine the business case for the Joint Waste Committee. Secondly Tewkesbury Borough Council have now applied to join the Local Authority owned company for waste collection (and some other functions, e.g. Park maintenance). This is a welcome step and accords with CBC's direction of travel. However Cabinet will want to be satisfied that this Council, and its partners in the LA company, will derive maximum benefit from the joining with other collection authorities, and on that basis negotiate maximum further benefits from joining with the disposal authority in a wider waste partnership.</p>

9. TREASURY MID TERM REPORT 2011/12

The Head of Financial Services introduced the item and explained that both the Treasury Management Panel and Cabinet had met to consider this report. The report highlighted a need to change some of the Council's current Prudential indicators in respect of the additional Housing Revenue Account (HRA) debt which the Council would be required to take on under the HRA Self Financing Proposals. The proposed additional debt amounted to £27.9 million.

The Leader of the Council welcomed the changes relating to the financing of the Housing Revenue Account which meant that money would be kept in Cheltenham for investment in its housing stock. He stated that this was a good news report, particularly in view of the continuing difficult economic climate.

When asked whether the receipt of the Icelandic investment could be used to offset debt rather than being reinvested, the Head of Financial Services explained that this was unlikely to be received prior to 1 April 2012. He emphasised that the new borrowing would be wholly funded by the Housing Revenue Account and so there would be no cost to the council tax payer. .

The Cabinet Member Housing and Safety expressed her concerns that members may not have a full understanding of the Housing Revenue Account and suggested that a seminar for all members may be useful.

Upon a vote the recommendations were agreed unanimously.

RESOLVED that in compliance with the requirements of the CIPFA Code of Practice the report be noted.

10. COMMUNITY GOVERNANCE REVIEW

Having declared a personal and prejudicial interest in this item Councillor Regan left the room for this item and did not participate in the debate.

The Cabinet Member Corporate Services introduced the report as circulated with the agenda and explained that guidance under the Local Government and Public Involvement in Health Act suggested that councils should consider conducting a parish boundary review every 10-15 years. Three parish councils- Up Hatherley and Leckhampton and Warden Hill and Charlton Kings had

expressed an interest in a boundary review in 2012/13. If Council agreed to undertake a review it was proposed that a working party comprising 2 Liberal Democrats, 2 Conservatives and 1 PAB member would be set up to support it. It was proposed that the terms of reference for the review should be drawn up by the working group in March with a report to be sent to Council in July 2012.

A question was raised by Members as to whether the review was only taking place within borough boundaries or whether this was an opportunity to look at boundaries more generally. The Cabinet Member said that scope of this review was confined to the existing boundaries but undertook to find out when a more general review of boundaries would take place.

The issue was raised as to whether the remit of the review should also cover the whole town so that non parished areas could have the opportunity of becoming a parish. Existing neighbourhood partnerships were given as an example where the area could benefit from being able to raise its own revenue for local reinvestment. Likewise there may be areas wishing to have their parish council status removed. In terms of the make up the review group, it would be helpful to include members who were not also parish councillors to provide a balance.

In response to the questions raised the Cabinet member Corporate Services reiterated that membership of the review group would comprise 2 Liberal Democrats, 2 Conservatives and 1 PAB member and parish councillors would be invited to submit their views. At least one of the members of the review group should not be a parish councillor as well. He highlighted that it was not intended for the review to be resource intensive and there would be opportunities in the future as a Council to examine neighbourhood governance via the Localism Act.

Upon a vote it was

RESOLVED that

- 1. a community governance review of parish boundaries be undertaken in 2012/13 ahead of parish elections in 2014**
- 2. the Director of Commissioning be authorised to set up a cross party member working group (which would also involve parish council representatives) to support the review and to build the review into the corporate strategy action plan for 2012/13 and that terms of reference for the review to be drawn up by the working group in March 2012 for approval by Council no later than July 2012.**

(Voting carried with 2 abstentions)

11. ADOPTION OF HACKNEY CARRIAGE BYELAWS

The Cabinet Member Housing and Safety introduced the report which sought Council approval to repeal the current Hackney Carriage byelaws and to adopt the revised model byelaws.

The Cabinet Member outlined the background to the proposals and explained that the Licensing Committee approved the proposed Department of Transport

model byelaws for the purpose of consultation on 13 May 2011. Following this a 12 week consultation was undertaken with the Hackney Carriage trade and one response was received. On 7 October the Licensing Committee resolved to recommend the adoption of the models byelaws by full Council.

Upon a vote it was unanimously

RESOLVED that the Hackney Carriage byelaws dated 22 November 1951 be repealed and the revised model byelaws attached as Appendix 2 be adopted.

12. NEW ARRANGEMENTS FOR OVERVIEW AND SCRUTINY

The Cabinet Member Corporate Services introduced the report which set out the background to the scrutiny review and its findings. He commended the workshops run by Democratic Services which had drawn out a number of issues that members had wanted to raise. The report set out the key principles for the new scrutiny arrangements which were centred on a single overview and scrutiny committee supported by task and finish groups. In his view overview and scrutiny was greatly underutilised in the council and he stressed that if there was all-party support for a particular way forward on an issue, any Cabinet would find it difficult not to take that into account. He hoped that the new arrangements would be the starting point for change and members would enjoy the focus and independence of the task and finish groups. He acknowledged that there was much further work to be done before the new arrangements were implemented in May 2012. The constitutional changes would be supported by the Constitution Working Group and in terms of defining protocols and procedures for the new arrangements, he proposed an open invitation for any member to participate in the scrutiny workshops which would be arranged to seek members views.

A member considered the new arrangements were change for change's sake and their implementation would take up a lot of officer time unnecessarily. He considered the system worked well at the moment and the current committee structure facilitated the setting up of working groups. He was concerned that if the task groups met in private, the public accountability and transparency of the current arrangements would disappear.

Another member felt that the business of the council was too varied to be dealt with by a single committee and the current arrangements allowed members to build up specialist knowledge for their particular committee. She was also concerned that the scrutiny management committee at the County Council had a tendency to get too involved in particular issues and the ruling group was able to veto what items went on to the scrutiny workplan.

Other members spoke in support of the new arrangements and experience at the County did not mean the structure was wrong but purely the way it was operated. They considered that task and finish groups had the potential to make much better use of members' expertise but questioned whether a suggested limit of four task groups would be sufficient. One member was concerned that members should not be disenfranchised by the timing of working groups, particularly those who were not available before 6 p.m. in the evening. It was important that when a working group was constituted, the members agreed the optimum time when the greatest number of members could attend.

Other members spoke of the importance of Cabinet Member involvement and participation in the scrutiny process. There was a concern that it would always be the same group of members that were putting themselves forward for working groups. Members should be encouraged to participate in working groups where they had interest or expertise. A member highlighted that only 14% of members had completed the recent member skills audit and she encouraged members to return the questionnaire if they have not already done so.

Councillor Hall, as sponsor of the Scrutiny Review, considered that good member training and involvement would be important but there would also need to be a huge change in members commitment to the scrutiny process to ensure it was a successful. It was important that the workload was spread across all members. She reminded members that current task groups do not meet in public and she hoped that members of the public would be invited to participate in the task groups.

The Leader raised the issue of scrutiny of partnerships as there was no mention of this in the report and the new arrangements should make provision for this important role. He also highlighted that the council was not in a position to provide dedicated scrutiny officers and the new arrangements would rely on officers from the relevant service area to support the working groups.

In his summing up, the Cabinet Member Corporate Services stressed that it was not change for change's sake and most members responding to the questionnaire had wanted a change and supported more use of working groups. In his view it was not essential that every task group should report back to the overview and scrutiny committee and there would be flexibility here. He acknowledged that resources would be a challenge but it was important to see how the new arrangements bedded in and then see what further resources were necessary. It would be up to the overview and scrutiny committee to manage the scrutiny workplan and the available resources. The task and finish groups could go for a combination of private and public meetings and would also have the option to meet in alternative venues. Their final reports would always be made public. In his view there was no reason why the new arrangements should be dominated by the ruling group. Finally he encouraged members to complete the Member skills audit.

Upon a vote it was

RESOLVED that

- 1. The key principles of the new scrutiny arrangements set out in sections 5.3 to 5.21 of the report be approved.**
- 2. Officers be authorised to develop the detailed procedures and processes to support the new arrangements ready for implementation immediately following the borough elections in May 2012, in consultation with the Project Sponsor, Councillor Penny Hall and the Cabinet Member Corporate Services.**
- 3. The Constitution Working Group be requested to review the constitutional changes required to support the new arrangements**

and include them in its planned revisions to the Council's Constitution due for approval by Council in March 2012.

- 4. Officers be authorised to reconvene the independent Members Remuneration Panel to review any changes to the Special Responsibility Allowances arising from the new arrangements.**

Voting For 26, Against 3 with 1 abstention.

13. NOTICES OF MOTION

No motions had been received.

14. TO RECEIVE PETITIONS

No petitions were received.

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

The Mayor advised Members of an urgent item which required a decision. The urgent decision was necessary because the Trustees had only just been advised by their external solicitors that the Council must have passed the resolutions set out in this report before a planned meeting of the Trustees in January.

The Cabinet Member Corporate Services introduced the report, on the Appointment of Trustees to the Hay and Strickland and other Charitable Trusts, which had been circulated prior to the meeting. The report explained that the Council nominates trustees to 4 Charitable Trusts (Hay Trust Fund and the Caroline Strickland Homes, which provide almshouses at Naunton Park and Hales Road respectively, and the Turner Long Fund and the Walker Memorial Trust, which both provide for the grant of small sums of money to the elderly).

The management of these four Trusts (who are separate legal entities, and whose accounts and records have to be maintained separately from the Council's, and in accordance with Charity Commission requirements) was outside the course of the Council's usual business, and imposed a substantial administrative burden both upon the nominated Members and upon Council staff.

Discussions had therefore been taking place with the Cheltenham Family Welfare Association (CFWA) with a view to the CFWA taking over the administrative role in respect of the four Charities. The CFWA also had the necessary expertise to ensure the almshouse trusts were managed according to the high standards required for Almshouse management. The CFWA had expressed a willingness to do so, but as a condition of so doing required the power of appointment of trustees to be consistent with the other charitable trusts the CFWA manages.

This requirement would mean that the Council would surrender its rights to nominate trustees in the future, and that the Mayor would no longer be an ex-officio Trustee on any of the above named charities.

The Cabinet Member Corporate Services updated members on the consultation that had taken place with residents via newsletters, a consultation meeting and

various visits to residents in their homes. The majority of residents were comfortable with the move to CFWA who were well regarded in this field and best placed to do a better job for the residents than the council was able to provide. Residents were generally looking forward to the planned refurbishment of the properties and acknowledged that there was a need to increase their maintenance contributions to bring them in line with other almshouse properties offering similar facilities.

Councillor Garth Barnes, as chair of the Trusts, supported the move to CFWA who had been managing almshouses for a number of years and were clearly running a tight ship. He hoped that the Council would be able to support the recommendations which would ensure that the almshouses could remain sustainable in the future and available to current and future residents.

A member questioned whether the Council should maintain a representative on the trustees to ensure that the Council could continue to have a role in ensuring that the charity was operating in the public good which had been the original intention of the benefactor. In response the Cabinet Member reassured members that the Board of Trustees for each one of the charities concerned would remain in place and it was the role of the Charity Commission to ensure that any charity was the fulfilling its aims and objectives.

Upon a vote it was

RESOLVED that

- 1. Council consents to the amendment of the Schemes to the Hay Trust Fund, the Caroline Strickland Homes, the Turner Long Fund and the Walker Memorial Trust whereby the Council will no longer have power to nominate Trustees to those charities; and**
- 2. Council consents to the amendment of the Schemes to the Hay Trust Fund, the Caroline Strickland Homes, the Turner Long Fund and the Walker Memorial Trust whereby the Mayor of Cheltenham Borough Council will no longer be an ex-officio Trustee of those charities.**

Voting: For; 26 with 5 abstentions

16. LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION

Upon a vote it was (unanimously)

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 1,3 and 5, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 1; Information relating to any individual

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

17. EXEMPT MINUTES

Following advice received from the Monitoring Officer, a number of Members left the meeting having declared their intention not to participate in this item.

The following members were in attendance for this item:

Councillors Garth Barnes, Nigel Britter, Tim Cooper, Bernard Fisher, Jacky Fletcher, Penny Hall, Diane Hibbert, Sandra Holliday, Pete Jeffries, Paul Massey, Helena McCloskey, John Rawson, Malcolm Stennett, Charles Stewart, Jo Teakle, Andy Wall, and Simon Wheeler.

In the absence of the Mayor and Deputy Mayor, the Chief Executive took the chair and invited nominations for a member to preside as set out in rule eight of the Council Procedure Rules. Councillor Barnes took the chair.

The exempt minutes of the last meeting had been circulated with the agenda.

Members were advised that as a number of members had left during the exempt business, the minutes should record which members were present for the vote. The following amendment was circulated:

Members present for the vote were Councillors Barnes, Bickerton, Britter, Fletcher, Fisher, Hall, Holliday, Massey, McCloskey, Rawson, Stennett, Stewart, Sudbury and Wheeler.

Councillor Fletcher advised that she had been present for the vote and therefore her name should be added and the voting for the motion be amended accordingly.

It was also noted that in paragraph 11 the second sentence should read "however the financial implications had not been finalised at that time".

Upon a vote it was

RESOLVED that the exempt minutes (as amended) of the meeting held on the 10 November 2011 be agreed and signed as an accurate record.

Voting: CARRIED with 2 Abstentions

Barbara Driver
Chair

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Cheltenham Borough Council Council – 10 February 2012

Appointment of Mayor and Deputy Mayor 2012-13

Accountable member	Leader, Councillor Steve Jordan
Accountable officer	Chief Executive, Andrew North
Accountable scrutiny committee	n/a
Ward(s) affected	All
Significant Decision	No
Executive summary	<p>Councillor Colin Hay has served as Deputy Mayor since last year's Annual Council Meeting and Members will be asked to elect him as Mayor at this year's Annual Meeting.</p> <p>The Members shown as 1 – 6 at the head of the Order of Precedence in Appendix 2 have been approached to ascertain if they are willing and able to have their name put forward for appointment as Deputy Mayor for 2011-2012. Councillor (to be announced) indicated a willingness to put their name forward as Deputy Mayor subject to no other eligible councillor wishing to do so.</p>
Recommendations	Council note the Order of Precedence in Appendix 2 and that Councillor Colin Hay and Councillor (to be announced) will be put to the Annual Council Meeting for election as Mayor and Deputy Mayor respectively for the municipal year 2012 - 2013.

Financial implications	<p>The allowances for Mayor and Deputy Mayor have been included in the budget proposals for 2012/13.</p> <p>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>Whilst the Council operates the Rules Relating To Order Of Precedence Of Members as a local convention, the Council has final discretion as to which members it appoints as its chairman and vice-chairman.</p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>None</p> <p>Contact officer: Amanda Attfield, Amanda.attfield@cheltenham.gov.uk, 01242 26 4186</p>
Key risks	None

Corporate and community plan Implications	The Mayor and Deputy Mayor promote the corporate and community objectives in carrying out their role as civic heads.
Environmental and climate change implications	None

1. Background

- 1.1 The rules relating to order of precedence of Members were amended by Council on 17 March 2008 and are attached as Appendix 1.
- 1.2 As part of that change it was agreed that once a councillor has achieved the office of Mayor they should remain at the bottom of the Order of Precedence in date order and should not be eligible to hold the office again unless all those above them on the Order of Precedence have chosen not to accept the honour or do not qualify for selection.
- 1.3 In addition it was agreed that a member would not be eligible for consideration as Mayor unless they had a minimum of four years service prior to taking up office and a minimum of 3 years service prior to becoming Deputy Mayor.

2. Reasons for recommendations

- 2.1 The Council's Constitution provides that the Mayor shall be elected and the Deputy Mayor appointed annually at the Annual Council Meeting.
- 2.2 The Constitution also provides that in order to assist the Council the Chief Executive will maintain a list of members (called the "Order of Precedence") showing members' total service on the authority and, if appropriate their period of service since they served the Borough as its Mayor. This list is attached as Appendix 2.
- 2.3 Whilst the Council must formally make these appointments at the Annual Council Meeting, in accordance with the Constitution, the Order of Precedence is presented to the first Council meeting in the calendar year.

3. Alternative options considered

- 3.1 All the councillors with more service than Councillor (to be announced) formally declined to have their names put forward for the position of Deputy Mayor.

4. Consultation and feedback

- 4.1 Not applicable

Report author	Contact officer: Rosalind Reeves, Democratic Services Manager Rosalind.reeves@cheltenham.gov.uk, 01242 774937
Appendices	1. Rules relating to order of Precedence of Members 2. Order of Precedence
Background information	n/a

THE RULES RELATING TO THE ORDER OF PRECEDENCE OF MEMBERS

1. The Head of Paid Service (or the Monitoring Officer on his or her behalf) will maintain a list of all members showing their precedence in terms of:

- their service on Cheltenham Borough Council,

and this list will be referred to as “The Order of Precedence”. It is only of relevance in the determination of the succession of the posts of Mayor and Deputy Mayor.

2. To be eligible for consideration as Mayor a member must have had a minimum of four years service prior to taking up office.
3. To be eligible for consideration as Deputy Mayor a member must have had a minimum of three years service prior to taking up office.
4. The Deputy Mayor appointed to serve as such in a particular municipal year will be elected Mayor for the following municipal year provided he or she is willing, and remains eligible, to accept that office.
5. If the Deputy Mayor is unwilling or ineligible to accept nomination as Mayor, the nomination will be offered by the Head of Paid Service, following consultation with the Monitoring Officer, to members in accordance with The Order of Precedence until a member is able to accept the nomination.
6. Not later than 31st December in any year the Head of Paid Service (or the Monitoring Officer on his or her behalf) will approach the member at the head of The Order of Precedence (other than the Deputy Mayor) to ascertain if he or she is willing to accept nomination as Deputy Mayor for the next municipal year.
7. If the member approached by, or on behalf of, the Head of Paid Service is unwilling or unable to accept the nomination, the Head of Paid Service (or the Monitoring Officer on his or her behalf) will approach members in accordance with The Order of Precedence until a member is able to accept the nomination.

The Head of Paid Service will inform the Council of the member’s willingness to accept nomination at its first ordinary meeting in the new calendar year.

8. The fact that a member approached by, or on behalf of, the Head of Paid Service is unwilling or unable to accept nomination as Deputy Mayor for a particular municipal year, shall not prevent that member being approached again in accordance with The Order of Precedence.
9. Where members have equal periods of service, a member with unbroken service on Cheltenham Borough Council will take precedence over a member with broken service.
10. Members who have served the borough as Mayor will be moved to the bottom of the Order of Precedence and will only be considered for selection if no other member is interested in taking on the position of Deputy Mayor/Mayor or is eligible to do so.

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11. The precedence between members who notwithstanding paragraph 9 have equal periods of service on Cheltenham Borough Council shall be decided by lot conducted prior to the first ordinary meeting of the Council following municipal elections.
12. Any questions arising as to the application of these rules shall be determined by the Head of Paid Service, following consultation with the Monitoring Officer, and in consultation with the Group Leaders.

**The Order of Precedence
2012/2013**

Councillor (Mayoral Year)	Date of Election/period of Service of Members who have not yet served as Mayor	Total Service up to end of 2011 - 2012 Municipal Year or where appropriate period since Mayoral year
A McKinlay	1991 -	21 years
S A Jordan	1986-1992, 1994, 1995-1999, 2002	21 years
P D McLain	1996 -	16 years
S J Holliday	1996 -	16 years
D J Smith	1998 -	14 years
D C Seacome	2000	12 years
M Stennett	2000	12 years
D L Hibbert	Nov 2000	11+ years
N C Britter	2002	10 years
S Wheeler	2002	10 years
W L Flynn	2002	10 years
C P Hay	1991 – 1995, 2006	10 Years
A S Wall	2004	8 years
J T Webster	2004	8 years
H McLain	1998 – 2002, 2008	8 years
R Hay	2002-2008, 2010	8 years
C Coleman	2002-2008, October 2010	7 years
P L Hall	2006	6 years
P S Massey	2006	6 years
T Cooper	2008	4 years
B Fisher	2008	4 years
K Sudbury	2008	4 years
P Wheeldon	2008	4 years
R Whyborn	2008	4 years
C Stewart	July 2009	2+ years
I Bickerton	2010	2 years
P Jeffries	2010	2 years
H McCloskey	2010	2 years
J Teakle	2010	2 years
J Walklett	2010	2 years
PREVIOUS MAYORS		
P M Thornton (1996 -1997)	Previous Mayor	14 years
L G Godwin (1997-1998)	Previous Mayor	13 years
G W Barnes (2003 - 2004)	Previous Mayor	7 years
R E Garnham (2004 – 2005)	Previous Mayor	6 years
J Fletcher (2006 – 2007)	Previous Mayor	4 years
J O Rawson (2007 – 2008)	Previous Mayor 1980-1987,2004	3 years
R MacDonald (2008 - 2009)	Previous Mayor 1998-	2 years
L M Surgenor (2009 - 2010)	Previous Mayor 1996-2000, 2002	1 year
A Regan (2010 - 2011)	Previous Mayor 1994 - 1998, 2002	1 year
B Driver (2011 – 2012)	Current Mayor 1999	0 years

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Cheltenham Borough Council

Council – 10 February 2012

Adoption of Licensing Act 2003 Policy Statement

Accountable member	Cabinet Member Housing and Safety - Councillor Klara Sudbury
Accountable officer	Director of Culture and Wellbeing - Sonia Phillips
Accountable scrutiny committee	Social & Community Overview and Scrutiny Committee
Ward(s) affected	All
Key Decision	No
Executive summary	<p>Section 5 of the Licensing Act 2003 requires the Council to review, determine and publish its Licensing Act 2003 Policy Statement every three years.</p> <p>The current policy statement was adopted by Council on the 30th of March 2009 and in order for the Council to comply with its statutory duty a revised policy must be adopted by the Council no later than March 2012.</p>
Recommendations	That Council RESOLVE to adopt the proposed draft revised policy statement attached to have immediate effect.

Financial implications	<p>There are no financial implications arising from this report. Income receivable from the licensing arrangements detailed in this policy is included in the council's medium term financial strategy.</p> <p>Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 26 4125</p>
Legal implications	<p>There is a statutory requirement upon the council to have a licensing policy statement and to review the policy statement every three years. The policy has been reviewed in light of the statutory guidance.</p> <p>Contact officer: Sarah Farooqi, sarah.farooqi@tewkesbury.gov.uk, 01684 27 2693</p>
HR implications (including learning and organisational development)	<p>There are no HR implications arising as a direct result of this report.</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	<p>We attract more visitors and investors to Cheltenham</p> <p>Communities feel safe and are safe</p>

Environmental and climate change implications	None
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1. Background

- 1.1 Section 5 of the Licensing Act 2003 (“2003 Act”) requires the Council to review, determine and publish its Licensing Act 2003 Policy Statement (“policy statement”) every three years.
- 1.2 The current policy statement was adopted by Full Council on the 30th of March 2009.
- 1.3 In order for the Council to comply with its statutory duty under section 5 of the 2003 Act, a revised policy must be adopted by the Council no later than March 2012.

Licensing Act 2003

- 1.4 The 2003 Act is the primary legislation that deals with the licensing requirements relating to:-
- (a) the sale by retail of alcohol,
 - (b) the supply of alcohol by or on behalf of a club to, or to the order of, a member of the club,
 - (c) the provision of regulated entertainment, and
 - (d) the provision of late night refreshment.
- 1.5 The licensable activities listed above are authorised through the issue of:-
- (a) a premises licence; or
 - (b) a club premises certificate; or
 - (c) a temporary event notice.
- 1.6 The Council is obligated to promote the four licensing objectives when discharging its functions under the 2003 Act with the. These are:-
- (a) the prevention of crime and disorder;
 - (b) public safety;
 - (c) the prevention of public nuisance; and
 - (d) the protection of children from harm.

The Policy Statement

- 1.7 The draft proposed policy statement is attached at **Appendix 2** of this report.
- 1.8 The policy statement sets out the principles the Council will apply when determining applications under the 2003 Act for the next three years. It also provides guidance to licence holders and applicants on how to make an application and advises them how the Council determines applications.
- 1.9 As a result of the fact that the primary legislation and case law, as it relates to the scope of the draft policy statement, has largely remained unchanged since the adoption of the current policy statement, revisions have been minimal. A breakdown of these is attached at **Appendix 3** of the

report.

Statutory Guidance

- 1.10** Section 4 of the 2003 Act states that, in carrying out its functions, the Council must 'have regard to' guidance issued by the Secretary of State under section 182.
- 1.11** Listed below (1.12 to 1.22) are relevant extracts from the guidance.

Fundamental Principles

- 1.12** All statements of policy should also begin by stating the four licensing objectives, which the licensing policy should promote. In determining its policy, a licensing authority must have regard to this Guidance and give appropriate weight to the views of consultees. The Guidance is important for consistency, particularly where licensing authority boundaries meet. (para 13.13)
- 1.13** While statements of policy may set out a general approach to making licensing decisions, they must not ignore or be inconsistent with provisions in the 2003 Act. For example, a statement of policy must not undermine the right of any individual to apply under the terms of the 2003 Act for a variety of permissions and to have any such application considered on its individual merits. (para 13.14)
- 1.14** Similarly, no statement of policy should override the right of any person to make representations on an application or to seek a review of a licence or certificate where provision has been made for them to do so in the 2003 Act. (para 13.15)
- 1.15** Statements of policies should make clear that:
- licensing is about regulating licensable activities on licensed premises, by qualifying clubs and at temporary events within the terms of the 2003 Act; and
 - the conditions attached to various authorisations will be focused on matters which are within the control of individual licensees and others with relevant authorisations, i.e. the premises and its vicinity. (para 13.16)
- 1.16** Whether or not incidents can be regarded as being "in the vicinity" of licensed premises is a question of fact and will depend on the particular circumstances of the case. In cases of dispute, the question will ultimately be decided by the courts. But statements of licensing policy should make it clear that in addressing this matter, the licensing authority will primarily focus on the direct impact of the activities taking place at the licensed premises on members of the public living, working or engaged in normal activity in the area concerned. (para 13.17)
- 1.17** A statement of policy should also make clear that licensing law is not the primary mechanism for the general control of nuisance and anti-social behaviour by individuals once they are away from the licensed premises and, therefore, beyond the direct control of the individual, club or business holding the licence, certificate or authorisation concerned. Nonetheless, it is a key aspect of such control and licensing law will always be part of a holistic approach to the management of the evening and night-time economy in town and city centres. (para 13.18)

Duplication

- 1.18** Statements of licensing policy should include a firm commitment to avoid attaching conditions that duplicate other regulatory regimes as far as possible. Chapter 10 provides further detail on this issue. (para 13.19)

Standard Conditions

- 1.19 Statements of policy should also make it clear that a key concept underscoring the 2003 Act is for conditions to be tailored to the specific premises concerned. This effectively rules out standardised conditions, as explained in paragraph 10.13 of this Guidance. However, it is acceptable for licensing authorities to draw attention in their statements of policy to pools of conditions which applicants and others may draw on as appropriate. (para 13.20)

Enforcement

- 1.20 As part of their statement of policy, the Government strongly recommends that licensing authorities should express the intention to establish protocols with the local police and the other enforcing authorities as appropriate on enforcement issues. This would provide for a more efficient deployment of licensing authority staff, police officers environmental health officers, and others who are commonly engaged in enforcing licensing law and the inspection of licensed premises. (para 13.21)
- 1.21 In particular, these protocols should also provide for the targeting of agreed problem and high risk premises which require greater attention, while providing a lighter touch for low risk premises which are well run. In some local authority areas, the limited validity of public entertainment, theatre, cinema, night café and late night refreshment house licences has in the past led to a culture of annual inspections regardless of whether the assessed risks make such inspections necessary. The 2003 Act does not require inspections to take place save at the discretion of those charged with this role. The principle of risk assessment and targeting should prevail and inspections should not be undertaken routinely but when and if they are judged necessary.
- 1.22 This should ensure that resources are more effectively concentrated on problem premises. (para 13.22)

2. Reasons for recommendations

- 2.1 To ensure that the Council complies with its duties under section 5 of the 2003 Act.
- 2.2 To ensure that the Council can effectively discharge its licensing function under the 2003 Act.

3. Alternative options considered

- 3.1 The only alternative would be for the Council not to adopt the policy statement. However this option would result in the Council failing to comply with its duty and function under the 2003 Act as outlined under point 3 above.

4. Consultation and feedback

- 4.1 On the 29th of July 2011 the Licensing Committee approved a draft policy statement for consultation.
- 4.2 Section 5(3) of the 2003 Act stipulates a number of statutory consultees the Council must consult with when determining its policy statement. These are the chief officer of police, the fire authority, the representatives of premises and personal licence holders and club registration certificates as it sees fit, and other persons that are seen to represent businesses and residents in the area.
- 4.3 A list of consultees is attached at **Appendix 4**.
- 4.4 In light of the above a consultation was undertaken between the 3rd of August and the 26th of October 2011.

- 4.5** The consultation was undertaken in accordance with the Consultation Guidance published by the Cabinet Office.
- 4.6** During the consultation period five responses were received. A copy of the comments and officer response is attached at **Appendix 5**.
- 4.7** On the 2nd of December 2011 the Licensing Committee gave consideration to the abovementioned comments and responses and resolved to approve and recommend adoption of the draft policy by Full Council.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Draft Proposed Policy Statement 3. Breakdown of Amendments 4. List of Consultees 5. Consultee Comments & Officer Response
Background information	<ol style="list-style-type: none"> 1. Licensing Act 2003 2. Amended guidance issued under section 182 of the Licensing Act 2003 (October 2010) 3. Licensing Committee Friday, 29th July, 2011 report "Review of Licensing Policy Statement" (and appendices) 4. Licensing Committee Friday, 2nd December, 2011 report "Review of Licensing Policy Statement" (and appendices)

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.	If the draft policy is not adopted, the Council will fail to comply with its duty under section 5 of the Licensing Act 2003.	Senior Licensing Officer	February 2012	2	6	12		Adoption of the draft policy statement.	30/03/12	Senior Licensing Officer	
	If the draft policy is not adopted, the Council risks not being able to effectively discharge its licensing function under the 2003 Act.	Senior Licensing Officer	February 2012	2	3	6		Adoption of the draft policy statement.	30/03/12	Senior Licensing Officer	



CHELTENHAM
BOROUGH COUNCIL

Cheltenham Borough Council

Licensing Act 2003 Licensing Policy Statement

Approved by Council
xx 2012

The Licensing Section
Cheltenham Borough Council
Municipal Offices
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1. Introduction

- 1.1 This Licensing Policy Statement ('this Policy') has been produced in accordance with the requirements of the Licensing Act 2003 ('the Act') and is in line with guidance issued under Section 182 of the Act. Section 5 of the Act requires Cheltenham Borough Council ('the Council'), acting in its capacity as the Licensing Authority to prepare and publish a statement of its licensing policy every three years.
- 1.2 This policy was last reviewed in 2009. In determining the policy the Council has taken into consideration any comments made by consultees (**Appendix A**) during the 12 week consultation. The Council has also taken into consideration revisions in the Statutory Guidance, changes in legislation and the experience of administering and enforcing the Act since its introduction when determining this policy.
- 1.3 The main purpose of this policy is to provide clarity to applicants, interested parties and responsible authorities on how the Council will determine applications for the sale/supply of alcohol, the provision of regulated entertainment and the provision of late night refreshment and also to provide a basis for all licensing decisions taken by the Council over the next three years. It will also inform elected Members of the parameters within which licensing decisions can be made.
- 1.4 Through this policy the Council hopes that residents of and visitors to Cheltenham will be able to enjoy their leisure time safely and without fear of violence, intimidation or disorder while at licensed premises.
- 1.5 An effective licensing policy, alongside other initiatives, will work towards promoting the positive aspects of deregulation under the Act, such as promoting tourism, increasing leisure provision and encouraging the regeneration of the town centre as well as controlling the negative impacts such as increase in noise, nuisance, anti-social behaviour and crime and disorder.
- 1.6 It should be understood that this policy and the section 182 Guidance cannot anticipate every scenario or set of circumstances that may arise and as such there may be circumstances where the policy or guidance may be departed from in the interests of the promotion of the licensing objectives and where it is deemed appropriate to do so. In such cases the Council will give full reasons for departing from this policy.

2. Licensing Principles and Process

- 2.1 This policy sets out the process the Council will adopt in dealing with licence applications with particular regard to the various types of premises and permissions and the various conditions that can be attached to licences if relevant representations are made. It also highlights the Council's undertaking to avoid duplication with other statutory provisions and its commitment to work in partnership with other enforcement agencies.
- 2.2 The Council is the Licensing Authority under the Act and is responsible for granting premises licences, club premises certificates, temporary events notices and personal licences in the Borough.

- 2.3 The objective of this policy is to:
- (a) promote the four licensing objectives;
 - (b) ensure that the premises are appropriate for their proposed use;
 - (c) ensure the premises layout and condition is acceptable for the proposed use; and
 - (d) ensure that the premises are being managed responsibly.
- 2.4 The Council's powers and duties as Licensing Authority are delegated by the Council to its Licensing Committee, Licensing sub committees and officers. The Council approaches these delegations in accordance with **Appendix B** to this policy.

3. Scope

- 3.1 This policy relates to the licensable activities defined by section 1(1) of the Act, namely:-
- (a) retail sales of alcohol;
 - (b) the supply of alcohol by or on behalf of a club;
 - (c) the provision of regulated entertainment; and
 - (d) the provision of late night refreshment.

4. Licensing objectives

- 4.1 The Council will carry out its licensing functions under the Act with a view to promoting the four licensing objectives, which are:-
- (a) The prevention of crime and disorder;
 - (b) Public safety;
 - (c) The prevention of public nuisance; and
 - (d) The protection of children from harm.
- 4.2 The aim of the licensing process is to regulate licensable activities so as to promote the licensing objectives.
- 4.3 In determining a licensing application, the overriding principle adopted by the Council will be that each application is determined on its merits. Licence conditions will be tailored to the individual application and only those necessary to promote the licensing objectives will be imposed.
- 4.4 The Council will also have regard to wider considerations affecting the residential population and the amenity of the area. These include littering, noise, street crime and the capacity of the infrastructure.

- 4.5 Each of the four objectives is of equal importance and will be considered in relation to matters centred on the premises or within the control of the licensee and the effect which the operation of that business has on the vicinity.

5. Premises Licences and Club Premises Certificates

- 5.1 The relevant application forms and associated documents are obtainable from the Council's website at <http://www.cheltenham.gov.uk/licensing> or from the Licensing Section during normal office hours.
- 5.2 Along with the application form, applicants must also submit an operating schedule and scaled drawings of the premises to which the application relates.
- 5.3 Through their operating schedule, applicants will be expected, where necessary, to demonstrate the positive steps taken to promote the licensing objectives.

The Operating Schedule

- 5.4 The operating schedule is a key document and, if prepared comprehensively, will form the basis on which premises can be licensed without the need for additional extensive conditions. The Council expects an operating schedule to indicate the steps that the applicant proposes to take to promote the licensing objectives.
- 5.5 Applicants are strongly recommended to discuss their operating schedules with the responsible authorities prior to submitting them.
- 5.6 Applicants will be expected to propose practical measures to prevent disturbance to local residents and to indicate what action will be taken to prevent or reduce noise emanating from the premises.
- 5.7 The complexity and detail required in the operating schedule will depend upon the nature and use of the premises. For premises such as a public house where public entertainment is not provided, only a relatively simple document will be required. For a major public entertainment venue it will be expected that issues such as public safety and crime and disorder will be addressed in detail. The Council will provide general advice on the drafting of operating schedules.
- 5.8 The operating schedule must be on the prescribed form and include a statement of the following:-
- (a) Full details of the licensable activities to be carried on at and the intended use of the premises;
 - (b) The times during which the licensable activities will take place;
 - (c) Any other times when the premises are to be open to the public;
 - (d) Where the licence is only required for a limited period, that period;
 - (e) Where the licensable activities include the supply of alcohol, the name and address of the individual to be specified as the designated premises supervisor;
 - (f) Whether alcohol will be supplied for consumption on or off the premises or both;

(g) The steps which the applicant proposes to promote the licensing objectives.

5.9 All applicants for the grant or variation of a premises licence or club premises certificate are required to provide an operating schedule as part of their application.

Guidance on Operating Schedule

5.10 The following guidance is intended to assist applicants by setting out criteria and considerations that they should bear in mind when drawing up an operating schedule. They alert applicants to any matters that responsible authorities are likely to consider when deciding whether to make representations on an application or whether to call for a review.

a) Crime and Disorder

5.11 The promotion of the licensing objective, to prevent crime and disorder, places a responsibility on licence holders to become key partners in promoting this objective.

5.12 Applicants will be expected to demonstrate in their operating schedule that suitable and sufficient measures have been identified and will be implemented and maintained to reduce or prevent crime and disorder on and in the vicinity of their premises, relevant to the individual style and characteristics of their premises and events.

5.13 When addressing the issue of crime and disorder, the applicant should demonstrate that those factors that impact on crime and disorder have been considered. These factors may include:-

- (a) Underage drinking;
- (b) Drunkenness on premises;
- (c) Public drunkenness;
- (d) Drugs;
- (e) Violent behaviour; and
- (f) Anti-social behaviour.

5.14 In making their decision, regard should be given to the levels of crime and disorder in and around the venue; the level of compliance with conditions on existing licences; and any available evidence on crime and disorder issues.

5.15 Annex D part 1 of the Secretary of State's revised Guidance sets out matters that may be relevant to the imposition of conditions relating to crime and disorder on licensed premises. Where relevant representations are received the Council may impose appropriate conditions on premises licences and club premises certificates in accordance with this guidance.

5.16 Appropriate conditions include:-

- (a) adoption of a 'Challenge 21 or Challenge 25' policy;

- (b) adoption of best practice guidance including our voluntary code of practice for Reducing Alcohol Related Violence (RARV);
- (c) agreeing a prescribed capacity for the premises;
- (d) requirements for an appropriate ratio of tables and chairs to customers, based on capacity, and for areas to be allocated permanently for seated customers in order to prevent overcrowding, which can lead to disorder and violence;
- (e) a requirement for Security Industry Authority registered door supervisors to control numbers of persons entering the premises and to deny entry to individuals who appear drunk, disorderly or intent on crime;
- (f) requirements that drinking vessels be made of toughened glass or plastic or other materials that do not form a sharp edge when broken, and that glass bottles are not passed to customers. This may be a particular concern if drinks are to be consumed outside premises;
- (g) restrictions on drinking in areas within and outside the premises;
- (h) limitations on the types of promotions of alcoholic drinks, so as not to encourage excessive drinking, or drunkenness;
- (i) the maintenance of good order by the management, particularly where alcohol is supplied for consumption and where large numbers of people are admitted;
- (j) dedicated communications networks between management teams, local police and other licensed premises to provide early warning of disorder;
- (k) warning signs about crime prevention measures;
- (l) clear policies and measures to prevent weapons or illegal drugs being brought onto the premises and measures to discourage the use of illegal drugs; and/or
- (m) the installation and maintenance of appropriately sited closed circuit television cameras (CCTV) to be operational during the period of the licence, and other appropriate times both inside and immediately outside the premises which can provide images of a suitable quality for use as evidence.

5.17 Capacity limits are commonly made a condition of a licence on public safety grounds but should also be considered for licensed pubs and clubs where overcrowding may lead to disorder and violence. If such a condition is necessary, door supervisors may be needed to ensure the numbers are appropriately controlled.

b) Public Safety

5.17 The Council in its role as Licensing Authority must try to ensure the safety of people visiting and working in licensed premises. The Council will need to be satisfied that measures to promote public safety including risk assessments, setting safe capacities and adequate means of escape are put in place and maintained, if not adequately provided for by other regulatory regimes.

5.18 Consideration should be given to whether:

- (a) appropriate and satisfactory general and technical risk assessments, management procedures and certificates have been made available to the relevant responsible authority and to the Licensing Authority, that demonstrate that the public will be safe within and in the vicinity of the premises;
- (b) the premises already has a licence or a fire certificate that specifies the maximum number of people that can attend it or be present and, if not, whether a risk assessment has been undertaken to assess the maximum number of people in terms of capacity in various parts of the premises, so that they can be operated safely and can be evacuated safely in the event of an emergency;
- (c) there are procedures proposed to record and limit the number of people on the premises with opportunities for going outside and readmission;
- (d) patrons can arrive at and depart from the premises safely;
- (e) music, dance and performance venues will use equipment or special effects that may affect public safety (i.e. moving equipment, pyrotechnics, strobe lights, smoke machines);
- (f) there are defined responsibilities and procedures for medical and other emergencies and for calling the emergency services, and/or
- (g) the levels of compliance with conditions on existing licences relating to public safety.

5.19 The Council seeks to encourage the use of toughened glassware and polycarbonate where appropriate in licensed premises. Where a relevant representation is received the Council will consider imposing a condition prohibiting the sale of alcohol in annealed glass containers and require the use of polycarbonate or other safer alternatives in order to promote public safety in licensed venues.

Pub watch' scheme

5.20 The Borough-wide Nightsafe network encourages its members to work together to promote the licensing objectives in their premises by providing a forum for sharing information, disseminating best practice and meeting with representatives of the Council, the police and other responsible authorities. The Council actively supports the scheme and is keen to support the development of more schemes where there is a demand.

Best Bar None

5.21 Best Bar None (BBN) is a national award scheme supported by the Home Office and aimed at promoting responsible management and operation of alcohol licensed premises. It was piloted in Manchester in 2003 and found to improve standards in the night time economy, with premises now competing to participate. The aim of BBN is to reduce alcohol related crime and disorder in a town centre by building a positive relationship between the licensed trade, police and local authorities. The Council will actively encourage licensed premises to sign up to the BBN scheme.

c) Public Nuisance

- 5.22 The Council will expect applicants to set out in their operating schedules the steps taken, or proposed to be taken, to deal with the potential for public nuisance arising from the operation of the premises.
- 5.23 Applicants should identify and describe through a risk assessment how these risks will be managed. Public nuisance could include low-level nuisance perhaps affecting a few people living locally as well as major disturbance affecting the whole community.
- 5.24 The role of the Council is to maintain an appropriate balance between the legitimate aspirations of the entertainment industry and the needs of residents and other users of the town including businesses, workers, shoppers and visitors.
- 5.25 Playing of music can cause nuisance both through noise breakout and by its effect on patrons, who become accustomed to high sound levels and to shouting to make themselves heard, which can lead to them being noisier when leaving premises. Other major sources of noise nuisance are vehicles collecting customers, the slamming of car doors and the sounding of horns. These noises can be particularly intrusive at night when ambient noise levels are lower.
- 5.26 Where relevant representations are received, the Council may attach appropriate conditions to licences, necessary to support the prevention of undue noise disturbance from licensed premises. Where premises remain open after midnight the licence holder, will be expected to provide facilities which are relevant to controlling noise and the patrons of those premises late at night. The Council also expects that premises which produce noise generating licensable activities are acoustically controlled and engineered to a degree where the noise from the premises when compared to the ambient noise level will not cause undue disturbance.
- 5.27 The provision of tables and chairs outside the premises, either on the highway or on private land, and the provision of beer gardens, can enhance the attractiveness of the venue. It can have the benefit of encouraging a continental style café culture and family friendly venues. However, late at night, tables and chairs and beer gardens can cause significant public nuisance to residents whose homes overlook these areas.
- 5.28 More recently the introduction of the new 'smoke free public places' legislation in July 2007 has led to an increase in the number of people outside licensed venues. Where outside facilities are provided the licensing authority expects applicants to provide details in their application of:-
- (a) the location of open air areas;
 - (b) how the outside areas will be managed to prevent noise, smell, or obstruction and nuisance to neighbours and the public.
- 5.29 Licensees and their staff are expected to have sufficient measures in place to prevent such problems arising including a suitable litter and waste management program to ensure that the area outside the premises is kept free of litter at all times.

- 5.30 Where the Council receives relevant representations, or where a responsible authority or an interested party seeks a review, the Council may consider imposing conditions to improve the management of the outside area or prohibiting or restricting the use of these areas in order to promote the public nuisance objective.
- 5.31 Conditions may include maximum noise levels over particular time periods, the installation of acoustic lobbies; provision of signs, publicity and dispersal policies.

Violent Crime Reduction Act 2006

- 5.32 The Violent Crime Reduction Act 2006 gives local authorities the power to designate, with the consent of the police, a locality as an alcohol disorder zone (ADZ) where there is a high level of alcohol related nuisance or disorder. Whilst the Licensing Act 2003 empowers licensing authorities to tackle alcohol related crime, disorder and public nuisance that is attributable to individual premises through the modification, suspension or revocation of licences upon review, it is not always possible to identify a clear relationship between problems in the public space and specific licensed premises. The proposal, consideration and designation of ADZs would enable local authorities to tackle such problems. Designation also permits local authorities to levy compulsory charges on certain licence holders for above-normal levels of enforcement activity by that authority and the police. The licensing authority would however prefer where possible to work with licensees to achieve improvements to alcohol related problems without the need to identify Alcohol Disorder Zones under this Act.

d) Protection of children from harm

- 5.32 The Council needs to satisfy itself that there are appropriate measures in place to protect children from harm.
- 5.33 The Council will expect applicants, where necessary to consider the measures necessary to promote the licensing objective of protecting children from harm when on the premises.
- 5.34 These measures may include staff training on how to control the entry of children and young people under 18 and the vetting of staff who will supervise them. Applicants will have to give particular regard to these measures in applications for licences involving:-
- (a) the sale of alcohol;
 - (b) children's performances;
 - (c) attractions or performances likely to attract children.
- 5.35 It is an offence to sell alcohol to children. In this context, children are defined as individuals under 18. The provisions of the Act are that unaccompanied children under 16 should not be on "premises being used exclusively or primarily for the supply of alcohol" (eg "alcohol led" premises such as pubs, bars and nightclubs). In addition, it is an offence to allow unaccompanied children under 16 on premises licensed to sell alcohol for consumption on the premises after midnight but before 05:00.

5.36 Issues for consideration include:-

- (a) installing effective measures to check the age of those young people who appear under 21 to ensure that alcohol is not sold to those under 18 and those under 16 are accompanied in alcohol led premises;
- (b) the supply of alcohol for consumption on the premises is the;
- (c) exclusive or primary purpose of the services provided at the premises;
- (d) accompanied children under 16 on the premises of which the primary purpose is supply of alcohol for consumption on the premises are taking a table meal or are being entertained by a live performance;
- (e) the hour to which accompanied children under 16 are proposed to be on the premises where the exclusive or primary purpose of the services provided at the premises is the supply of alcohol for consumption on the premises;
- (f) due regard is paid to industry codes of good practice on the labelling and display of alcoholic drinks;
- (g) there are adequate procedures for identifying unaccompanied or lost children and ensuring that they are kept safe and adequately supervised until they can be handed over to a responsible adult;
- (h) the likelihood of children being attracted to the premises; eg by the nature of activities or facilities provided whether or not these are licensed;
- (i) there is evidence of heavy, binge or underage drinking on the premises;
- (j) the premises commonly provides entertainment or services of an adult or sexual nature;
- (k) there is a strong element of gambling on the premises;
- (l) age restricted films are to be shown classified in accordance with the recommendations of the British Board of Film Classification;
- (m) the number of adults required for the supervision of children and the suitability and vetting of those adults to ensure they pose no risk to children. Obtaining Enhanced Disclosure from the Criminal Records Bureau may be appropriate in some cases.

Plans

5.37 A plan must also be attached to an application for a premises licence or a club premises certificate. The plan should be at a scale of 1:100. The plans do not have to be professionally drawn, however, they must be to scale and contain the relevant information as required under regulation. The Licensing Authority can accept plans of a scale other than 1:100, however this must be approved prior to submitting the application.

6. Representations

6.1 The Council has discretion on whether to grant applications for licences and to impose conditions on granting and reviewing licences, only when relevant

representations are made by "interested parties" or by "responsible authorities" (see **Appendix B**).

- 6.2 In brief "relevant representations" is the expression used in the Act for comments including objections on applications.

For a representation to be relevant it must:-

- (a) relate to the effect of the grant of the licence on the promotion of the licensing objectives (prevention of crime and disorder, prevention of public nuisance, public safety or protection of children from harm);
- (b) be made by an interested party or responsible authority;
- (c) not be 'frivolous or vexatious' or, in the case of a review, 'repetitious' if made by an interested party; or
- (d) if it concerns the Designated Premises Supervisor be made by a chief officer of police and include a statement explaining the reasons for the objection.

Interested Parties Include:-

- (a) a person living in the vicinity of the premises;
 - (b) a body representing a person living in the vicinity of the premises; a person involved in business in the vicinity of the premises; and
 - (c) a body representing a person involved in such a business.
- 6.3 All interested parties and responsible authorities will have a period 28 days (starting on the day after the application is received by the Council) in which they can make representations to the Council about the application. Representations must be made in writing.
- 6.4 If the Council considers that the representations are relevant it must hold a hearing to consider those representations (unless all agree that this is unnecessary). The Council will then have the option to:-
- (a) grant or vary the licence in the same terms as it was applied for;
 - (b) decide that it is necessary to refuse to issue or vary the licence;
 - (c) decide to grant or vary the licence, but to modify the conditions;
 - (d) exclude from the scope of the licence a licensable activity.
- 6.5 Where no relevant representations are received it is the duty of the Council to grant a licence subject to conditions consistent with the operating schedule and the mandatory conditions under the Act.
- 6.6 This policy also does not override the right of any person/body to make representations on an application or seek a review of a licence or certificate, where provision has been made for them to do so in the Act.
- 6.7 If there have been police representations in relation to the individual specified in the application for a premises licence or certificate or authorisation as the designated premises supervisor, the Council will consider any factors relating

to that individual that might undermine the prevention of crime and disorder licensing objective, including the previous character of the individual and the individual's experience and training and ability to monitor the premises at all times when they are open.

- 6.8 All applicants for the grant of a personal licence will be required to undertake a criminal record check. Where a criminal record check discloses an unspent relevant conviction (See schedule 4 of the Act) and the police object to the application on crime prevention grounds the Licensing Sub Committee shall normally refuse such an application unless there are exceptional and compelling circumstances to justify the granting of a licence.

7. Reviews

- 7.1 At any stage, following the grant of a premises licence, a responsible authority, or an interested party, may ask the Council to review the licence because of a matter arising at the premises in connection with any of the four licensing objectives.
- 7.2 In every case, the application for review must relate to particular premises for which a licence is in existence and must be relevant to the promotion of the licensing objectives.
- 7.3 The necessary forms and documents is available from the Council's website at <http://www.cheltenham.gov.uk/licensing> or from the Licensing Section during normal office hours.

8. Appeals

- 8.1 Anyone aggrieved by a decision of the Council has a right of appeal. This is set out in Schedule 5 of the Act.
- 8.2 The Council will inform the appropriate parties of their right of appeal in accordance with the Act, when confirming a decision of the Licensing Sub-Committee.
- 8.3 Aggrieved parties should lodge any appeal with the Magistrates' Court within 21 days of the notification of the decision.

9. Temporary Event Notices (TENs)

- 9.1 Any person aged 18 or over may use premises for one or more licensable activities for a period not exceeding 96 hours and provided that a minimum 10 working days notice is given to the Council and the Chief Officer of Police before the event is due to start.
- 9.2 A temporary events notice (TEN) can only be used where the maximum number of people attending the event is less than 500. In all other cases a premises licence will be required.
- 9.3 The limit on the number of TENs which may be given by any applicant is five within the same year, unless the applicant holds a personal licence, in which case the limit will be 50 within the same year.

- 9.4 Only 12 TENs may be given in respect of the same premises in a calendar year and in respect of these premises there is an overriding maximum aggregate duration of 15 days.
- 9.5 There must be a minimum of 24 hours between events notified by the premises user in respect of the same premises.
- 9.6 The Police may object to a TEN by sending a counter-notice on the grounds of crime and disorder or may insist on certain conditions. The Police must give the premises user and the Council any counter-notice within 48 hours of being notified.
- 9.7 If the Council receives a counter-notice, a hearing will be held to determine whether permission should be granted for the proposed event. If no counter-notices are served the event will be able to proceed.
- 9.8 It is recommended that an applicant applying for a TEN should give at least 28 days prior notice of their intended event and that at the same time of submitting their application to the Licensing Authority they serve notice to the Police.
- 9.9 Applicants are also encouraged to consult responsible authorities prior to formal applications being made.
- 9.10 The processing of applications by the Council is controlled by a strict statutory timetable, therefore, the Council will not accept an application unless it is complete in all respects at the time of submission.
- 9.11 The Police have the power to close down events with no notice on grounds of disorder, the likelihood of disorder or because of public nuisance caused by noise coming from the premises.

10. Integrating Strategies

- 10.1 The Council will seek to discharge its responsibilities by linking to and supporting Government and Council strategies and policies so far as they impact on the objectives of the Act including:-
 - (a) Crime and Disorder Reduction Strategy;
 - (b) Enforcement Concordat and the Councils Enforcement policy;
 - (c) Reducing Alcohol Related Violent Crime and Disorder Codes of Practice (RARV);
 - (d) Local drugs and alcohol strategies;
 - (e) The Governments alcohol harm reduction strategy; and
 - (f) The Best Bar None Scheme.
- 10.2 The Council regards licensing as the most appropriate tool in ensuring that the licensing objectives are promoted and will avoid as far as is possible any duplication with other regulatory regimes and legislation.
- 10.3 As part of a wider package of initiatives the Council is aiming to tackle the negative impacts associated with alcohol consumption through their Codes of Practice on Reducing Alcohol Related Violent Crime and Disorder and

encouraging alcohol licensed premises to join Cheltenham's Best Bar None scheme. The Licensed Trade are encouraged to take ownership of these codes and schemes, which have the potential to significantly improve standards in Licensed Premises. These Codes of Practice have received high acclaim and been recognised as Best Practice by the Home Office.

- 10.4 The Council will continue to develop appropriate partnership arrangements, working closely with the police and fire authorities, local businesses, community representatives and local people, in meeting these objectives.

11. Planning Control

- 11.1 Planning permission is usually required for the establishment of new premises and where there is a material change of use of premises.
- 11.2 Applicants are encouraged to ensure that the proposed activity will constitute a lawful planning use and the hours sought do not exceed those authorised by any planning permission. Where the hours authorised by the relevant planning permission are different to the licensing hours for those premises, the applicant will be expected to observe the earlier closing time. Premises operating in breach of their planning permission would be liable to enforcement action under planning legislation.
- 11.3 Similarly, where structural alterations are required to premises, applicants are encouraged to obtain the necessary building control approval.

12. Off Sales of Alcohol

- 12.1 This applies to premises where the sale of alcohol is exclusively for consumption off the premises, i.e. shops, stores and supermarkets etc.
- 12.2 Revised Government Guidance recommends that shops, stores and supermarkets selling alcohol should generally be permitted to match the hours during which they may sell alcohol with their normal trading hours, unless there are exceptional reasons related to the licensing objectives, in particular the prevention of crime and disorder and public nuisance. The sale of alcohol to underage young people which apart from being a criminal offence, can give rise to disorder, public nuisance and concerns over public safety and harm to children; and the sale of alcohol to both adult and underage young people who consume it on the way to other premises can give rise to problems of drunkenness and disorderly behaviour.
- 12.3 The Council will consider any representation made by the police, other responsible authorities, and relevant representations from interested parties in determining applications.
- 12.4 Under the Council's Designation Order (Section 13 of the Criminal Justice and Police Act 2001) which came into force on 1st March 2005, the police have powers to stop street drinking and seize alcohol and receptacles.
- 12.5 Where the police make representations against the grant of a further licence for off sales, because of their serious concerns over problems of street drinking or late night disorder associated with the off sale of alcohol in the area, the Council may give specific consideration to restricting the number, type, and the hours of premises selling alcohol exclusively for consumption off the premises.

- 12.6 When requested by the police, the Council may impose conditions that there should be no sale of alcoholic beverages over a specified limit of alcohol by volume or of specified quantities (e.g. of beers, lagers and ciders over 5.5% alcoholic content by volume).

13. Late Night Refreshment

- 13.1 Applications for premises offering late night take away food and drink will be considered on their individual merits. However, the impact upon the licensing objectives of people gathering at such premises after other licensed premises have closed can be considerable, and in determining licensing hours following the receipt of relevant representations regard will therefore be had to the density and closing times of other licensed premises in the vicinity
- 13.2 Late night refreshment includes the supply of hot food or hot drink at any time between the hours of 23.00 and 05.00, whether for the consumption on or off the premises (Schedule 2 of the Act). Late night refreshment premises that serve hot food or hot drink exclusively by service to customers seated at tables will be treated as restaurants in terms of this policy.
- 13.3 Premises which supply hot food and hot drink for consumption off the premises which are open after 23.00 can attract large groups of customers, many of whom have been consuming alcohol in pubs, bars, or night clubs sometimes some distance away. The congregation of people around these premises can lead to additional noise and disturbance. The Police have raised concerns about the level of crime and disorder that happens outside take-away food premises late at night due to alcohol fuelled behaviour, and the opportunities for crime afforded by the congregation of people. The consumption of food outside premises can also result in food waste and litter on pavements, to an extent that amounts to a public nuisance.

14. Theatres, Cinemas and Other Performance Venues

- 14.1 The Council welcomes the vital contribution that theatres, cinemas, concert halls and other performance venues make in providing the diverse cultural and entertainment value that attracts people of all ages into Cheltenham. The Council accepts that these types of uses are unlikely to be linked with crime and disorder, and generally have less impact on residents than other licensable activities.
- 14.2 Performance venues will be subject to conditions on public safety related to the staging of special effects and the exhibition of film is subject to mandatory conditions on the admittance of children.
- 14.3 The range and diversity of these events may make it a requirement to have provisions in the licence for a specific "event plan" to be agreed for each event rather than to rely solely on conditions within the premises license.
- 14.4 Some of these events because of their prominence attract very large crowds. Sound from outdoor events is not enclosed and carries across the town and therefore may cause widespread nuisance. The extent and frequency of these events in relation to the areas where the impact is felt will be considered in determining applications for premises licences for outdoor licensable activities.

15. Applications for extended hours

15.1 Cheltenham has a large concentration of licensed premises in the centre of town and many currently operate into the early hours of the morning.

15.2 The issues of late night/early morning opening hours can be extended opportunities for crime and disorder, the limited capacity of the transport system to serve the extent of late night activity and issues of public nuisance.

15.3 Statutory guidance provides for:

“The hours during which the premises are permitted to be open to the public or to members and their guests can be restricted by the conditions of a premises licence or a club premises certificate for the prevention of public nuisance. But this must be balanced by the potential impact on disorder which may result from arbitrarily fixed closing times. However, there is no general presumption in favour of lengthening licensing hours and the four licensing objectives should be paramount considerations at all times.”

15.4 On receipt of an application for extended hours and where relevant representations have been received the Council will need to consider:-

- (a) whether there is residential accommodation in the proximity of the premises that would be likely to be adversely affected by premises being open or carrying out operations at the hours proposed;
- (b) that the proposed hours of the licensable activities and when customers will be permitted to remain on the premises;
- (c) the proposed hours when any music, including incidental music, will be played;
- (d) the hours when customers will be allowed to take food or drink outside the premises or be within open areas which form part of the premises;
- (e) the existing hours of licensable activities and the past operation of the premises (if any) and hours of licensable premises in the vicinity;
- (f) whether customers and staff have adequate access to public transport when arriving at and leaving the premises, especially at night;
- (g) the capacity of the premises;
- (h) the type of use: recognising that premises that sell alcohol, play music for dancing, provide late night refreshment or take-away food, are more likely to be associated with crime and disorder and public nuisance than restaurants, theatres, cinemas, other performance venues or qualifying clubs.

15.5 Where relevant representations are received from responsible authorities and/or interested parties, the Councils may seek to restrict the operational hours of premises where this is necessary to promote the licensing objectives. The Council may impose further limitations in hours upon review of the licence, particularly where the premises is shown to be the focus or cause of nuisance or anti-social behaviour.

16. Cumulative Impact

- 16.1 Cumulative impact concerns the potential impact on the promotion of the licensing objectives of a concentration of types of licensed premises in one area.
- 16.2 This can become a particular concern in areas where the growth in the number of premises that primarily serve alcohol is perceived to be at a high level in relation to the size of the town.
- 16.3 Although the Council does not currently have designated cumulative impact areas, it may adopt a special policy regarding cumulative impact where it considers that a significant concentration of licensed premises will or is having an impact on the licensing objectives and granting of further licences in that area would add to this impact. It will take the decision only after it is satisfied that there is evidence to support such a decision.
- 16.4 The absence of a special policy does not prevent any responsible authority or interested party making representations on a new application for the grant, or variation, of a licence on the grounds that the premises will give rise to a negative cumulative impact on one or more of the licensing objectives. The overall effect of the grant of the licence should be considered in relation to evidence of cumulative impact on the licensing objectives.
- 16.5 Special policies should however never be used as grounds for revoking an existing licence or certificate when representations are received about problems with those premises. The “cumulative impact” on the promotion of the licensing objectives of a concentration of multiple licensed premises should only give rise to a relevant representation when an application for the grant or variation of a licence or certificate is being considered. A review must relate specifically to individual premises, and by its nature, “cumulative impact” relates to the effect of a concentration of many premises.
- 16.6 The Council also recognises that there are other mechanisms both within and outside of the licensing regime that are available for addressing the impact of unlawful and antisocial behaviour and nuisance once consumers are away from the premises e.g.
- (a) positive measures to provide a safe and clean town centre environment in partnership with local businesses, transport operators and other service providers within the Council;
 - (b) the provision of CCTV surveillance in the town centre, provision of taxi marshalls, provision of public conveniences open late at night, street cleaning and litter patrols;
 - (c) powers to designate parts of the Borough as places where alcohol may not be consumed publicly;
 - (d) police enforcement of the law with regard to disorder and anti-social behaviour, including the issue of fixed penalty notices;
 - (e) the prosecution of any personal licence holder or member of staff at such premises who is selling alcohol to people who are drunk;

- (f) the confiscation of alcohol from adults and children in designated areas e.g. use of the powers of confiscation contained in the Confiscation (Young Persons) Act 1997;
 - (g) police powers to close down instantly for up to 24 hours any licensed premises or temporary events on the grounds of disorder, the likelihood of disorder or noise emanating from the premises causing a nuisance;
 - (h) the power of police, other responsible authority or a local resident or business to seek a review of the licence or certificate in question.
- 16.7 The Council will address these issues in line with the strategic objectives for crime and disorder reduction within the Borough.

17. Sexual Entertainment Venues

17.1 The Council has adopted the amended provisions of schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982 as amended by section 27 of the Policing and Crime Act 2009 ('the 2009 Act') with respect to "relevant entertainment", that is:-

- (a) any live performance; or
- (b) any live display of nudity.

which is of such a nature that, ignoring financial gain, it must reasonably be assumed to be provided solely or principally for the purpose of sexually stimulating any member of the audience (whether by verbal or other means).

- 17.2 The adopted provisions came into effect on the 1st of December 2010 in Cheltenham.
- 17.3 Any premises that wants to offer relevant entertainment on a regular basis, that is more frequently than 24 hours once a month on no more than 11 occasions a year can no longer offer this under the provisions of the Licensing Act 2003 as a result of the abovementioned adoption. These premises must apply for a Sexual Entertainment Venue (SEV) licence.
- 17.4 Premises that wants to offer relevant entertainment on an irregular basis, can still do so under the provisions of the Licensing Act 2003. These premises must be authorised for the performance of dance and the performance of recorded music.

18. Enforcement

- 18.1 In terms of regulation, our aim is to target those premises which are causing problems within our communities whilst supporting well managed premises and community activities, which provide worthwhile opportunities for the enjoyment of leisure time without having a negative impact. Premises that produce disorder, or threaten public safety, generate public nuisance, or threaten the well being of our children will be targeted for enforcement action.
- 18.2 Once licensed, it is essential that premises are maintained and operated so as to ensure the continued promotion of the licensing objectives and compliance with the specific requirements of the Act. The Council will make

arrangements to monitor premises, undertake inspections to support the licensing objectives and take appropriate enforcement action.

- 18.3 The Council will also establish enforcement protocols with the police and other enforcement agencies to ensure efficient and targeted joint enforcement is undertaken on a regular basis.
- 18.4 This does not prevent action being taken by any individual authority at any time should offences become apparent.

Investigation of Offences

- 18.5 When a relevant authority has become aware of any offence under the Act, the authority may:-
- (a) Take appropriate intervention action to secure and preserve evidence to support a potential prosecution and provide witness evidence should it be necessary.
 - (b) Early discussions with the appropriate Primary Enforcement Agency, including (unless in cases of extreme urgency) the Council's enforcement officers.
 - (c) Supply the relevant Primary Enforcement Agency in a timely manner all of the relevant evidence (whether subsequently used or unused).
 - (d) Set out in writing details of the offence and notify the Primary Enforcement Agency for action to be taken/considered.
 - (e) This does not exempt the relevant authority making appropriate staffing arrangements to respond to complaints and managing high demand premises.
- 18.6 Once in receipt of a request to take action, the Primary Enforcement Agency will:-
- (a) assess the facts and take appropriate action in accordance with the Enforcement Protocol for that authority and take appropriate timely action proportionate to the overall problems that exist to the area in support of the Licensing Objectives
 - (b) inform the relevant authority and stakeholders that initiated the complaint or supplied the information of the action taken.
- 18.7 Regular liaison meetings will take place between the licensing enforcement officers and the police licensing officers.

Responsibility for Prosecutions

- 18.8 Section 186 of the Act provides that proceedings for offences under the Act may be instituted by:-
- (a) Licensing Authority.
 - (b) The Director of Public Prosecutions, or
 - (c) Trading Standards Officers for offences under section 146 or 147.

APPENDIX A - CONSULTATION

This document has been developed by the Council in consultation with representatives of the following key stakeholder groups and organisations:

- (a) The Gloucestershire Constabulary
- (b) Gloucestershire Fire Service
- (c) Bodies representing holders of premises licences, club premises licences and personal licences in the Council's area
- (d) Representatives from local businesses
- (e) Representatives of the Council's Planning and Public Protection Services
- (f) Trade Associations
- (g) Independent licence holders
- (h) Local residents
- (i) Ambulance service
- (j) Gloucestershire County Council's education services and Trading Standards
- (k) Gloucestershire Youth Services

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APPENDIX B – Responsible Authorities

Applicants are required under the Act to send copies of their application to the following responsible authorities in the Cheltenham area:

GLOUCESTERSHIRE CONSTABULARY

Gloucestershire Constabulary
Licensing Unit,
Community Engagement Dept,
No 1 Waterwells, Waterwells Drive,
Quedgeley
Gloucester
GL2 2AN
Direct line: 01452 754482 Switchboard : 0845 090 1234
Fax: 01452 754797
Email: Licensing@Gloucestershire.Police.uk

GLOUCESTERSHIRE FIRE AND RESCUE

Gloucestershire Fire and Rescue Service
Service Delivery Support
Waterwells Drive
Quedgeley
Gloucester
GL2 2AX
Tel: 01452 753333
Fax: 01452 753304
Email: fire.safety@glosfire.gov.uk

POLLUTION PREVENTION

Environmental Protection
Public Protection
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 1PP
Tel: 01242 264 204
Fax: 01242 26 4210

HEALTH AND SAFETY ENFORCEMENT

If you are uncertain who enforces Health and Safety on your premises please assume it is Cheltenham Borough Council and forward a copy of the application to the address below:-

WHERE THE LOCAL AUTHORITY IS THE ENFORCING AUTHORITY:

Public Protection - Occupational Health and Safety
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 1PP
Tel: 01242 775020
Fax: 01242 264210

WHERE THE HSE ARE THE ENFORCING AUTHORITY:

Health and Safety Executive
4th Floor, The Pithay
All Saints Street
BRISTOL
BS1 1ND

Telephone: 0117 988 6000

Fax: 0117 926 2998

Email: (i) For service employment e.g. Central and Local Government, NHS etc. the contact is paula.Johnson@hse.gsi.gov.uk

(ii) For other employment e.g. manufacture and repair, agriculture, transport, the contact is nigel.chambers@hse.gsi.gov.uk

LOCAL PLANNING AUTHORITY

Local Planning Authority
Built Environment
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 1PP

Tel: 01242 264138

Fax: 01242 227323

CHILD PROTECTION

Children & Young People's Directorate
Safeguarding Manager
Gloucestershire County Council
Quayside Wing
Shire Hall
Gloucester
GL1 2RH

Telephone: 01452 426321

Fax: 01452 425148

Email: Duncan.siret@gloucestershire.gov.uk

TRADING STANDARDS

Trading Standards
Gloucestershire County Council, Trading Standards,
Hillfield House
Denmark Road
Gloucester
GL1 3LD

Telephone: (01452) 426201

Fax: (01452) 426274

E mail: tradstds@gloucestershire.gov.uk

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APPENDIX C - Delegated functions

Matter to be dealt with	Full Committee	Sub Committee	Assistant Director Community Services
Application for personal licence		If a police objection	If no objection made
Application for personal licence with unspent convictions		All cases	
Application for premises licence/club premises certificate		If a relevant representation is made	If no relevant representation is made
Application for provisional statement		If a relevant representation is made	If no relevant representation is made
Application to vary premises licence/club premises certificate		If a relevant representation is made	If no relevant representation is made
Application to vary designated personal licence holder		If a police objection	All other cases
Request to be removed			All cases
Application for transfer of premises licence		If a police objection	All other cases
Applications for interim authorities		If a police objection	All other cases
Application to review premises licence/club premises certificate		All cases	
Decision on whether a complaint or objection is irrelevant, frivolous, vexatious etc			All cases
Decision to object when Local Authority is a consultee and not the lead authority		All cases	
Determination of a police objection to a temporary event notice		All cases	
Final approval of licensing policy (post consultation).	Full Council		

APPENDIX D - GLOSSARY

DCMS - Department of Culture, Media, and Sport

Entertainment Facilities - Facilities for enabling persons to take part in entertainment.

Personal Licence - authorises an individual to supply or authorise the supply of alcohol in accordance with a premises licence

Premises Licence - authorises the premises to be used for one or more licensable activity

Relevant Representation - is only relevant if it relates to the likely effect of the grant of the licence on the promotion of at least one of the licensing objectives. A representation that fails to do so is 'irrelevant' for the purposes of the Act.

Club Premises Certificate - This is a licence granting 'qualifying club' status to specific premises, according to a number of qualifying conditions, including the provision that there are at least 25 members and that alcohol is only supplied by or on behalf of the club.

Designated Premises Supervisor (DPS) - The Personal Licence Holder named on the Premises Licence as being in day-to-day control of the premises through whom all alcohol sales must be authorized.

Hearing - When an application for a new licence or to vary an existing licence goes to a Licensing Sub- Committee for consideration.

Objection notice - A procedure whereby the Police can object to the grant of a premises licence, variation for a premises licence or personal licence or to a Temporary Event Notice. (See also Relevant representation)

Personal Licences - licence granted to an individual and authorises that person to supply alcohol or authorise the supply of alcohol in accordance with a premises licence. The licence lasts for 10 years and can be renewed.

Premises Licence - A licence granted in relation to specific premises and will specify the nature of the licensable activity and any applicable conditions.

Regulated entertainment - Regulated entertainment covers the provision of entertainment or of entertainment facilities.

In order for the provision of entertainment or entertainment facilities to be regulated, the entertainment or entertainment facilities must be provided:

- For members of the public or a section of the public; or
- For members of a regulated club or their guests; or
- At a charge with the intention of making a profit.

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Breakdown of Amendments/Revisions

1. The inclusion of the *Best Bare None* scheme as a recognised scheme for promoting Public Safety in the borough.

Best Bar None

5.21 *Best Bar None (BBN) is a national award scheme supported by the Home Office and aimed at promoting responsible management and operation of alcohol licensed premises. It was piloted in Manchester in 2003 and found to improve standards in the night time economy, with premises now competing to participate. The aim of BBN is to reduce alcohol related crime and disorder in a town centre by building a positive relationship between the licensed trade, police and local authorities. The Council will actively encourage licensed premises to sign up to the BBN scheme.*

2. Replaced “17. Nudity, Striptease and Sex Related Entertainment” with a new heading “17. Sexual Entertainment Venues”.

17. Sexual Entertainment Venues

17.1 *The Council has adopted the amended provisions of schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982 as amended by section 27 of the Policing and Crime Act 2009 (‘the 2009 Act’) with respect to “relevant entertainment”, that is:-*

- (a) *any live performance; or*
- (b) *any live display of nudity.*

which is of such a nature that, ignoring financial gain, it must reasonably be assumed to be provided solely or principally for the purpose of sexually stimulating any member of the audience (whether by verbal or other means).

- 17.2 *The adopted provisions came into effect on the 1st of December 2010 in Cheltenham.*
- 17.3 *Any premises that wants to offer relevant entertainment on a regular basis, that is more frequently than 24 hours once a month on no more 11 occasions a year can no longer offer this under the provisions of the Licensing Act 2003 as a result of the abovementioned adoption. These premises must apply for a Sexual Entertainment Venue (SEV) licence.*
- 17.4 *Premises that wants to offer relevant entertainment on an irregular basis, can still do so under the*

provisions of the Licensing Act 2003. These premises must be authorised for the performance of dance and the performance of recorded music.

Officer Comment: The statutory provision in respect of the licensing of sexual entertainment in licensed premises has changed since the adoption of the current policy in 2009. The regulation of sexual entertainment has been removed from the provisions of the 2003 Act.

Chief Officer of Police Gloucestershire Constabulary

Fire and Rescue Gloucestershire Fire and Rescue Service

Persons bodies representative of club/premises/personal licences

Greene King Retailing
Enterprise Inns PLC
J D Wetherspoon Plc
Punch Taverns Plc
Mitchells And Butlers Leisure Retail Ltd
Sainsbury's Supermarkets Limited
Tesco Stores Ltd
Wm Morrison Supermarkets Plc
Marstons PLC
Midcounties Co-operative Limited
Wadworth & Company Ltd
Town & City Pub Group Limited
Popleston Allen
John Gaunt And Partners
Maitland Walker Solicitors
TLT Solicitors
Gosschalks Solicitors
Berwin Leighton Paisner
Association of Licensed Multiple Operators
BII

Persons bodies representative of businesses and residents

All Premises/Club - Licence holders
Cheltenham BC - Members
Cheltenham BC - Senior Leadership Team
Parish Councils
Cheltenham Chambers of Commerce
Other Responsible Authorities
Cheltenham Crime and Disorder Reduction
Partnership
Night Safe
Reducing Alcohol Related Violence Project

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Consultee Comments	Officer Comments
<p>Cheltenham Bowling Club</p> <p>Thank you for your letter of 3 August. Cheltenham Bowling Club is content with the objectives and conditions applying to our current licence. These allow the club to operate activities commensurate with a sports club, while being mindful of our responsibility to be a 'good neighbour'. Should your review decide to change the conditions of our existing licence we would appreciate the opportunity to comment prior to implementation.</p> <p>Cheltenham Bowling Club, is a non-profit making organisation providing recreational facilities for the local community and we, like other sports clubs, are struggling with rising running costs especially utilities. Should your review look at the cost of licensing fees, we would like you to consider a reduction for sports clubs registered with the Community Amateur Sports Club Scheme.</p> <p>Royal Oak Cheltenham</p> <p>I write as regards the consultation period in respect of CBC's Licensing Policy. I am a long standing lessee in the town, and have traded at The Royal Oak for nearly 11 years.</p> <p>My licensing record is without blemish and I would wish to make a general comment about Licensing in the town rather than a point by point assessment of your policies.</p> <p>In respect of the 4 key licensing objectives it strikes me that crime and disorder and public nuisance make the most headlines in our borough. This is generally as a result of excessive drinking by minorities, purchased from numerous sources, but often accredited to pubs within the town.</p> <p>What we have in society is an onerous regulatory process that is applied to the majority in order to legislate against behaviour inflicted on us all by a small minority.</p> <p>The massive majority of people who visit licensed premises do so in an orderly and legal way and consume alcohol in a sensible and modest way, often to accompany a meal.</p> <p>Where abuse of the Licensing Laws do take place either by suppliers of alcohol (off licenses, supermarkets, pubs or bars etc) or consumers of</p>	<p>A review of licence conditions does not form part of this policy review.</p> <p>A review of licence fees does not form part of this policy review.</p>

alcohol, the full weight of the law and regulation should be targeted wholly at those individuals. We are hacked off at being the silent majority who comply with the law, train our staff and supervise our alcohol sales, yet we continue to get all the bad press related to alcohol abuse and street disorder.

I would ask, in the previous period prior to this current review, how many premises had their licenses reviewed or removed. How many personal licenses were removed? Were there personal prosecutions for disorder? Have those committing offences under the 2003 been brought to book and fined/prosecuted?

I suggest that the Council and Police need to focus their efforts in the correct places, namely;

'Off sales' where many younger drinkers are buying cheap alcohol and preloading prior to going out. Price point is clearly an issue here, and perhaps beyond your influence?

'On sales' premises who then subsequently admit and serve this people who are clearly drunk

Those who are arrested as drunk, or admitted to hospital drunk should be fined for public disorder offences (hopefully a system exists for on the spot fines that remove the need for court action). I suggest that drunk people can clearly afford to pay fines, because they can afford to get drunk.

I am aware of the progress that has been made by the Police and Nightsafe in the town and the numerous measures that they have taken in conjunction with Licensees to improve the safety of the town, this we all applaud. I do hope that we can focus our efforts more pro-actively in freeing up the burdens of regulation on law bidding and professional operators and their customers, whilst aiming regulation at the source of our problems, namely those who create nuisance, public disorder and anti-social behaviour.

Cheltenham College

Thank you for your letter elated 3rd August, in respect of the review of Cheltenham Borough Council's Licensing Policy Statement.

With regard to the wider issues raised by the policy document itself the College has only one real concern and that is the powers afforded to the Police at paragraph 9.11. Whilst we fully understand the

Comments noted but it is not considered specifically relevant to this policy review and as a result no amendments to the policy have been made.

The power to close premises on grounds of disorder (or the likelihood of disorder) or because of public nuisance is a power attributed to the Police by the Anti-Social Behaviour Act 2003.

need for a mechanism to close down an event that has got out of hand, we do have concerns over the power to close down an event, which in the subjective opinion of a police officer may become troublesome or be a public nuisance through being noisy.

The College has a license that permits it to hold outdoor entertainment. We have rarely exercised that privilege, but would be concerned that, on the grounds of one complaint, the function could be closed on the decision of a single police officer, leading to considerable inconvenience to guests and loss of income to the school.

Although Paragraph 14.3, to some degree, implies that the risk of this happening would be lessened through careful event planning and consulting with the Council and Police in advance, we would respectfully suggest that the Council revisits paragraph 9.11 and considers a caveat that prevents the closure of activities which are conducted in accordance with license conditions and, if necessary, a pre approved event plan, on the subjective opinion of a solitary police officer.

I note your comments in respect of a "Best Bar None" scheme and would be interested to receive further details.

Cheltenham Motor Club

Thank you for sending me in the post a hardcopy of the draft licensing policy statement for the next 3 years.

Having read the document I feel we should have no issues with it at Cheltenham Motor Club.

However, I do have concerns about the possible amendments to the act via the police responsibility act going through the House of Lords at present. In particular I have concerns about the following:-

- having to pay a late night levy as we stay open after midnight on Fridays and Saturdays
- that persons who do not live in the vicinity of Cheltenham Motor Club can have a say on our licensed activities
- that the right of appeal would effectively be withdrawn

I would be interested in your views on Theresa May's proposals as I feel it is yet again heavily weighted against the on trade and the off trade get away very

The provisions of the Anti-Social Behaviour Act 2003 do not fall within the scope of this policy review and as a result no amendments to the policy have been made.

As mentioned, the power to close premises on grounds of disorder (or the likelihood of disorder) or because of public nuisance is a power attributed to the Police by the Anti-Social Behaviour Act 2003.

It would not be within the Council's powers to prescribe additional conditions not prescribed in law.

Comments have been noted but the provisions of the Police Reform and Social Responsibility Act 2011 does not fall within the scope of this policy review and as a result no amendments to the policy have been made.

lightly again.

Cheltenham Rugby Club

I have received your letter of 3rd August.

As Secretary of the Cheltenham Rugby Club I would like to state that we have always received excellent and helpful service, when we have been in touch with yourselves on Licensing matters.

Comments noted.

Cheltenham Borough Council

Cabinet - 7 February 2012

Council - 10 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	<p>Cabinet / Council</p> <ol style="list-style-type: none"> 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	<p>As contained in the report and appendices.</p> <p>Contact officer: Mark Sheldon.</p> <p>E-mail: mark.sheldon@cheltenham.gov.uk</p> <p>Tel no: 01242 264123</p>
Legal implications	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>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%.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p>
HR implications (including learning and organisational development)	<p>In the spirit of building on our positive industrial relations environment, the recognised trade unions received a budget briefing at a Joint Consultative Committee on 24 November 2011 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.</p> <p>On going, it is important that capacity is carefully monitored and managed in respect of any reductions on FTE and reduced income streams.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the 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 its 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 through 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 final budget 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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<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. Summary net budget requirement 3. Growth 4. Savings / additional income 5. Projection of reserves 6. Capital programme 7. Medium Term Financial Strategy (MTFS) 8. Planned Maintenance Programme 9. Summary of budget consultation and Cabinet response 10. Section 151 Officer budget assessment
<p>Background information</p>	<ol style="list-style-type: none"> 1. Finance settlement 2012/13

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	2011/12 ORIGINAL	2011/12 REVISED	2012/13 ORIGINAL
Projected cost of 'standstill' level of service	£	£	£
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 nighttime economy.	17,000	17,000	17,000			
2	Resources	IT Infrastructure	Huddle is a "cloud" based application that enables team members within partnership projects to work collaboratively and share documents. Funding is required to establish a base budget for licence costs.	7,000	7,000	7,000			
3	Built Environment	Trees Budget	Additional annual tree maintenance budget.	20,000	20,000	20,000			
4	Wellbeing & Culture	Town Hall and Pump Room Lettings income	To not increase the lettings fee income in line with inflation, to keep the fees and charges competitive and reflective of the current economic climate.	11,700	11,700	11,700			
5	Wellbeing & Culture	Arts Council Grant	Transitional support to Cheiltenham 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 BIG 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	-	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			
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 compliance.					56,200	
17	Resources	IT Infrastructure	Virtual e-mail appliance licence -setting up of e-mail connection between all GO Partner authorities. 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.				22,000		
18	Built Environment	Civic Pride		-	-	-	150,000	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					
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 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	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 specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There may be additional pressure on SLT to undertake more administration, diverting valuable time from more critical work.
COMMISSIONING														
REVIEW OF CORPORATE COMMUNICATIONS														
20,000					0	20,000					1.0		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	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 specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	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						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 identified 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 application of £250k towards theatre refurbishment costs and loan application for £.1m (total £30k over 6 years)														
5,000				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.														
15,000					0	15,000							"Universal" is designed to encourage student activity via the purchase of memberships and other services across the year.	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							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 BIG 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 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	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.	109,100	0	0	0	109,100	0	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 additional demands on the service resulting from the move to universal credit.
FLEXIBLE RETIREMENT OF CUSTODIAN	5,000				0	5,000						0.4	No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There will be a reduced pool of staff to call on to 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 specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There is less resource to deal with any future additional demands on the service resulting from the move to universal credit.
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. Shared Service savings							202,000							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.
Indirect savings from the retained 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 specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There is a risk that if the council were to lose the current civil parking enforcement service provided on street on behalf of GCC, there would be significant financial implications in terms of support service and accommodation costs which would need to be established.
MERGER OF STRATEGIC LAND USE AND HOUSING ENABLING FUNCTIONS	14,500				0	14,500					2.0		No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	A reduction in staffing capacity may make it difficult to deal with work volumes if there is an upturn in the number of applications. This situation will be kept under review.
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 specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	Whilst there will be a reduction in initiatives providing direct financial support to individual businesses, the council's strategic approach will focus on activities aimed at fostering the conditions within which businesses have the best chance of success.
RESTRUCTURE OF BUILDING CONTROL	9,800				0	9,800							No specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	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 specific equality impacts identified as part of this proposal - any staffing reorganisation will follow agreed procedures, including consultation with affected staff and Trade Unions to ensure fairness throughout the process.	There will be a reduction in strategic housing capacity which is likely to have some impact on the council's ability to contribute to partnership working in areas such as the supporting people programme.
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		2011/12		2011/12		2012/13		2012/13		31/3/13	
	£	£	Movement Revenue	Capital	Reserve Re-alignment	31/3/12	Movement Revenue	Capital	Movement Revenue	Capital	budget and one off growth	£	£	
<u>EARMARKED RESERVES</u>														
<u>Other</u>														
BR01 Single Status Reserve	(14,247.00)		3,600.00		10,647.00 *	0.00								0.00
BR02 Pension Reserve	(28,373.38)		(50,000.00)			(78,373.38)								(178,373.38)
BR04 Economic Development Reserve	(14,200.00)					(14,200.00)								(14,200.00)
BR05 IBS License Reserve	(148,700.00)					(148,700.00)								(148,700.00)
BR06 Keep Cheltenham Tidy Reserve	(626.27)					(626.27)								(626.27)
BR08 Grave Maintenance Reserve	0.00					0.00								0.00
BR09 Cultural Development Reserve	(22,361.00)					(22,361.00)								(7,361.00)
BR10 LABGI Reserve	(76,052.86)		45,000.00		21,052.86 *	(10,000.00)								0.00
BR12 House Survey Reserve	(105,024.83)		24,500.00			(80,524.83)								(88,024.83)
BR13 Twinning Reserve	(17,400.00)					(17,400.00)								(17,400.00)
BR14 Flood Alleviation Reserve	(348,093.52)		133,910.00			(214,183.52)								(164,183.52)
BR15 Art Gallery & Museum Development Reserve	(2,000,000.00)		(122,000.00)	584,000.00		(1,538,000.00)			1,416,000.00					(122,000.00)
BR25 Pump Room Insurance Reserve	(28,066.11)		11,000.00			(17,066.11)								(17,066.11)
BR26 Museum Shop Reserve	0.00					0.00								0.00
BR27 TIC Shop Reserve	(11,729.18)		11,700.00			(29.18)								(29.18)
BR30 GF Insurance Reserve	(159,971.44)		38,600.00			(121,371.44)								(121,371.44)
BR42 Vehicle Leasing Equalisation Reserve	(116,085.24)					(116,085.24)								(116,085.24)
BR45 Joint Core Strategy Reserve	(234,580.36)					(234,580.36)							30,000.00	(324,580.36)
BR54 Legal Staff Reserve	(19,350.00)		19,350.00			0.00								0.00
BR58 Civic Pride	(1,083,197.60)		258,100.00			(825,097.60)							430,000.00	(168,197.60)
	(4,428,058.79)					(3,438,598.93)								(1,488,198.93)
<u>Repairs & Renewals Reserves</u>														
BR52 Commuted Maintenance Reserve	(263,629.37)		39,000.00			(224,629.37)								(185,629.37)
BR78 Highways Insurance Reserve	(15,000.00)					(15,000.00)								(15,000.00)
BR83 Council Tax/Benefits IT Reserve	(30,000.00)					(30,000.00)								(30,000.00)
BR88 I.T. Repairs & Renewals Reserve	(133,064.70)		79,400.00			(53,664.70)								(47,364.70)
BR89 Planned Maintenance Reserve	(1,025,929.12)		(44,600.00)	524,000.00		(546,529.12)							223,000.00	(29,529.12)
	(1,467,623.19)					(869,823.19)								(307,523.19)

PROJECTION OF RESERVES TO 31ST MARCH 2013		31/3/11	2011/12	2011/12	2011/12	31/3/12	2012/13	2012/13	31/3/13	
Purpose of Reserve		£	Movement Revenue	Movement Capital	Reserve Re-alignment	£	Movement Revenue	Movement Capital	£	
EARMARKED RESERVES										
Equalisation Reserves										
BR63	Rent Allowances Equalisation	(119,655.60)	39,100.00			(80,555.60)	39,100.00		0.00	
BR64	Planning Appeals Equalisation	(38,955.09)				(38,955.09)			(41,455.60)	
BR65	Licensing Fees Equalisation	(28,355.00)	17,000.00			(11,355.00)			(38,955.09)	
BR66	Interest Equalisation	(2,787,594.76)	2,500,000.00			(287,594.76)			(11,355.00)	
BR72	Local Plan Equalisation	(55,030.00)	55,000.00			(30.00)			(287,594.76)	
BR76	Elections/Electoral Reg. Equalisation	(11,500.00)	(61,200.00)			(72,700.00)	72,700.00		(30.00)	
		<u>(3,041,090.45)</u>				<u>(491,190.45)</u>			<u>(379,390.45)</u>	
BR91	Reserves for commitments Old Year-Creditor Rsve - RR	<u>(351,200.00)</u>	351,200.00			<u>0.00</u>			<u>0.00</u>	
CAPITAL										
BR77	Capital Reserve - GF Housing	(902,476.15)		370,000.00		(532,476.15)			(532,476.15)	
BR92	Capital Reserve - GF	(801,799.68)	(751,693.00)	938,300.00		(715,192.68)	(700,000.00)	912,000.00	(211,192.68)	
		<u>(1,804,275.83)</u>				<u>(1,247,668.83)</u>			<u>(743,668.83)</u>	
	TOTAL EARMARKED RESERVES	<u>(11,092,248.26)</u>				<u>(6,047,281.40)</u>			<u>(2,918,781.40)</u>	
GENERAL FUND BALANCE										
BS01	General Balance - RR	(2,619,507.03)	393,057.00	109,400.00	(31,699.86)	(2,148,749.89)	53,455.00		(2,035,294.89)	
		<u>(2,619,507.03)</u>				<u>(2,148,749.89)</u>			<u>(2,035,294.89)</u>	
	TOTAL GENERAL FUND RESERVES AND BALANCES	<u>(13,711,755.29)</u>	<u>2,990,024.00</u>	<u>2,525,700.00</u>	<u>0.00</u>	<u>(8,196,031.29)</u>	<u>(252,045.00)</u>	<u>2,453,000.00</u>	<u>(4,954,076.29)</u>	
	Projected Annual Reduction					<u>5,815,724.00</u>			<u>3,241,955.00</u>	

* 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 applications to the home / remote users desktop			35,300	35,300					
DC3213	C	Storage Area Network	Storage for the council's data in a secure, expandable and robust environment	155,000	142,297	12,700	12,700					
DC4003	C	Telephony switch upgrade	Upgrade of operating system, voice system and contacts centre with the benefit of future-proofing the council's system and adding flexibility.	70,300		70,300	70,300					
		WELLBEING & CULTURE										
		Parks & Gardens										
LC6001	S	S.106 Play area refurbishment	Developer Contributions			76,500	54,000	50,000	50,000	50,000	50,000	50,000
LC6006	C	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards			80,000	80,000	80,000	80,000	80,000	80,000	80,000
LC6011	P	Pitville Park Boathouse	Enhancements to Pitville Park including the Boathouse bridge funded from Severn Trent Water Community Fund awarded following the floods in 2007.			72,000	72,000					
LC6015	P	Leckhampton Hill dry stone wall	Match funded with Natural England to construct dry stone walling on Leckhampton Hill sit of special scientific interest (SSSI)	620,000	677,363	0	0					
		Cemetery & Crematorium										
LC6022		Burial Chapel	Invest to save scheme to convert burial chapel to handle cremations.	110,000	99,829	10,100	10,100					
		Cultural Services										
LC4006	R/P	Art Gallery & Museum Development Scheme	Council's commitment to new scheme as agreed by Council 20th July 2008			1,000,000	2,030,000	4,270,000				
LC4007	C	Everyman Theatre	Contribution towards the redevelopment project - £1m loan and £250k grant	1,250,000		1,250,000	1,250,000					
		Community Safety										
EC0006	C	CCTV/Town Centre initiative	Expansion of on street CCTV in the town centre to increase safety and secure the environment			50,000	50,000	50,000	50,000	50,000	50,000	50,000

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/11	Budget 2011/12 agreed 27/06/11	Revised Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
				£	£	£	£	£	£	£	£	£
		BUILT ENVIRONMENT										
		Integrated Transport										
EC0033	C	CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime			104,800	14,800	50,000	50,000	50,000	50,000	50,000
EC0060	C	Car park management technology	The upgrade of the car park management technology at selected sites such as Regent Arcade is essential as the existing management systems and hardware have now reached the end of their life cycle.			250,000	130,000	120,000				
EC0051	C	Re-joining High Street/Promenade pedestrianised area	Re-joining works required to improve safety and appearance of the core commercial area	60,000	51,993	7,700	7,700					
		Housing										
HC7440	C/SCG	Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.			600,000	600,000	600,000	600,000	600,000	600,000	600,000
HC7445	C	Adaptation Support Grant	Used mostly where essential repairs (health and safety) are identified to enable the DFG work to proceed (e.g. electrical works).			26,000	26,000	26,000	26,000	26,000	26,000	26,000
HC7400	PSDH	Health & Safety Grant / Loans	A new form of assistance available under the council's Housing Renewal Policy 2003-06			324,400	324,400					
HC7405	PSDH	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06									
HC7410	PSDH	Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996									
HC7455	LAA / C	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems			60,000	60,000	60,000	60,000	60,000	60,000	60,000
HC9200	C/S	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation			345,000	270,000					
HC9200	C/S	Housing Enabling	Transformational improvements to private households in St. Paul's to assist them in raising the standard of their dwellings in line with new build council housing stock.			55,000	130,000					
HC9200	C/S	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes			1,790,000	1,790,000	2,900,000				
		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

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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.

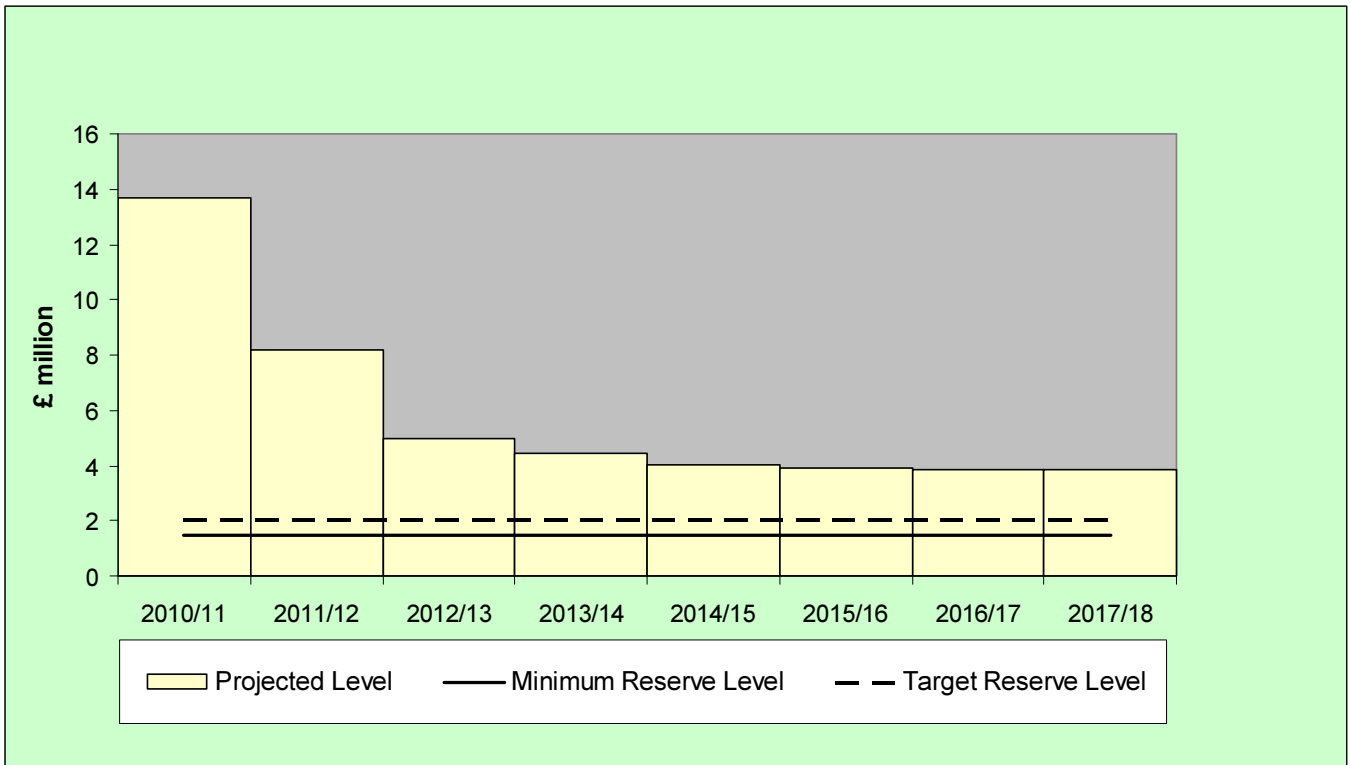
7. Financial projections - reserves

- 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 principle 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.

Item	Property Name	Element	Description	Total £
1	All Properties (H&S)	All	Consequential works from risk management inspections	2,000
2	All Properties (WC's)	Any	Consequential works from legionella risk management inspections	5,000
3	Art Gallery/Museum	All	General running repairs and redecorations to Public WC's	5,000
		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	Pitville Cricket Hall	Electric Lighting	Replacement of lighting lamps to main hall (re-lamp)	4,000
17	Pitville 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 programme)	2,000
		Floors	General repairs and service of lighting conductor system	2,000
		Mechanical	Refurbishment of wooden sprung floor - sand/re-seal	10,000
		Roof	Risk management annual BMS checks	1,000
		Roof	Replacement of sheet steel roof deck and insulate	45,000
		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
		Structure	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 rear-most 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
		Floors	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
- Privatised 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
<p>1. Robustness of the estimates</p> <p>Inflation – do supplies and services budgets allow sufficient for inflation?</p>	<p>1.1 Contract inflation has been allowed for at the appropriate contractual rate e.g. utilities budgets reflect negotiated rates.</p> <p>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.</p>	<p>Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain services levels.</p>	<p>Policy reviewed annually as part of the budget setting process.</p> <p>The growth proposal for additional tree maintenance budget is an example of such a review being addressed.</p>	<p>I am of the opinion that service managers have sufficient budgets to fund supplies and services expenditure in order to maintain existing service levels.</p>
<p>Employee costs i.e. pay / turnover targets / pension costs – are budgets sufficient?</p>	<p>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.</p> <p>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.</p> <p>1.5 The MTFS allows for pay awards for 1% for 2013/14 and 2% thereafter.</p>	<p>There is uncertainty over the pay freeze</p> <p>Given the impact of the economic climate and commissioning of services, there may be less CBC turnover / saving.</p> <p>Given inflationary pressure and prolonged period of pay freeze there may be upward pressure on pay above 2%</p>	<p>Fund any additional budget in 2012/13 from the General Reserve and build into base budget for 2013/14.</p> <p>Based on previous year's experience this has been achieved but needs to be closely monitored in the significant change in service delivery models.</p> <p>Review MTFS projections regularly and feed into BtG group / SLT.</p>	<p>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.</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
	<p>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.</p>	<p>Uncertainty in the economy / fund performance and lack of agreement over pension changes may increase pension fund deficits.</p>	<p>Review based on actuarial advice.</p> <p>National negotiations over reducing pension benefits may improve the sustainability of the pension fund.</p>	
<p>Treasury Management – are budgeting assumptions prudent and the approach to treasury management risk tolerable?</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Fluctuating interest rates / investment income could impact on the net cost of services.</p> <p>Actual distributed receipts may be subject to fluctuations in exchange rates.</p> <p>Given the uncertainty in the economy and financial institutions, there may be a risk to future deposits.</p>	<p>The Council has reduced its 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.</p> <p>Adjust future residual capitalisation write off to reflect actual receipts.</p> <p>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.</p>	<p>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.</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
	<p>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.</p>	<p>Borrowing limits could be exceeded</p>	<p>Prudential indicators are monitored and reported to TMP./ council</p>	
<p>Income, Charging and Demand - are estimates at realistic and sustainable levels?</p>	<p>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.</p> <p>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.</p> <p>1.13 The Council operates in some highly competitive markets and fees and charges can be determined by managers following benchmarking against the competition.</p>	<p>Existing income levels may not be sustainable.</p> <p>Inflationary increases may not be achievable in the current climate.</p> <p>Inflexibility may mean that services cannot respond to the market and loose income.</p>	<p>Car parking income targets have been reduced by a further £100k.</p> <p>Regular monitoring and reporting to Cabinet on significant variances in income streams.</p> <p>Keep MTFs assumptions under review and feed into BtG programme.</p> <p>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.</p>	<p>Overall, I am satisfied that the estimates for income are based upon reasonable assumptions which take into account the prevailing economic conditions and that the monitoring arrangements are in place.</p> <p>108</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
<p>Government support – are the assumptions prudent?</p>	<p>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).</p> <p>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.</p> <p>1.16 The MTFS considers the considerable changes in funding stream resulting from local business rates retention from April 2013.</p> <p>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.</p>	<p>Uncertainly over future funding could result in the council making insufficient allowance for future reductions in government funding.</p> <p>May reduce income if no growth in business rates.</p> <p>This may not be a sustainable income stream if houses are not built.</p>	<p>The section 151 Officer monitors relevant government policy and uses other councils to compare budgeting assumptions.</p> <p>County wide Section 151 officers are jointly working to assess implications.</p> <p>Assumptions are based on a prudent view of potential levels of NHB and compared with neighbouring councils.</p>	<p>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.</p>
<p>2. Medium Term Financial Strategy (MTFS) and strategy for 'Bridging the Gap (BtG) – are the assumptions reasonable?</p> <p>NB: Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making</p>	<p>2.1 The MTFS predicts the funding scenario and estimates the funding gap for the next 5 years modelled using various scenarios.</p> <p>2.2 The MTFS assumes savings / additional income from the 'BtG' programme from shared services / partnerships, commissioning and creation</p>	<p>Actual projections may vary from predictions.</p> <p>Lack of forward planning for cuts could result in salami slicing of</p>	<p>Annual reviews of MTFS projections approved by council.</p> <p>The 'BtG' programme meets monthly and receives updates of MTFS / 'BtG' work</p>	<p>The council's approach to modelling and monitoring the MTFS and planning for meeting future funding gaps remains effective.</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
<p><i>recommendations about the local authority's future revenue and capital programme.</i></p>	<p>of the LAC.</p> <p>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.</p>	<p>budgets.</p> <p>Benefits realisation of projects may not deliver as planned.</p> <p>If opportunities to avoid redundancy costs are not managed, the General Reserve is placed under pressure.</p>	<p>streams. Project boards have robust performance management controls and monitoring which feed into 'BtG' / SLT monthly monitoring reports.</p> <p>Careful workforce planning and vacancy management continues and is monitored by SLT.</p> <p>The level of the General Reserve is held at an appropriate level to provide a reasonable level of assurance.</p>	<p>Page 110</p>
<p>3. Proposed level of council tax increase – is it a reasonable?</p> <p>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.</p>	<p>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.</p> <p>3.2 The MTFS models 4 years of grant for the freezing the council tax in 2011/12 and the impact of its withdrawal.</p>	<p>The limited government support increases pressure on the funding gap in 2013/14.</p>	<p>The 'BtG' programme plans for future funding gaps.</p> <p>Avoided proposed government requirement for a referendum for increases over 3.5% thereby avoiding expense / impact on community.</p>	<p>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.</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
<p>4. Is the approach to financing the maintenance programme and the Asset Management Plan (AMP) sound?</p>	<p>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.</p> <p>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.</p>	<p>There may be insufficient annual budget to fund maintenance programmes.</p> <p>The receipt from the Midwinter site and North Place / Portland Street, could be used in an ad hoc manner.</p>	<p>The maintenance programme is reviewed by the Asset Management Working Party (AMWP).</p> <p>The funding strategy for the planned maintenance programme is annually reviewed to ensure that the programme can be financed.</p> <p>Costing of the AMP is underway which will indicate what can be afforded from existing resources / future capital / potential prudential borrowing.</p>	<p>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.</p>
<p>5. Are the councils Reserves at reasonable levels?</p> <p>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.</p>	<p>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.</p> <p>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</p>	<p>Reserve levels may not be sufficient.</p>	<p>These are reviewed on a regular basis and have been again in the process of finalising the budget proposals.</p>	<p>Overall, I am satisfied that the projected levels of reserves, including the level of the General Reserve, are adequate for the forthcoming year.</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
<p>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.</p>	<p>General Reserve, is estimated to be circa £3.8m 2017/18.</p> <p>5.3 The planned maintenance reserve is reduced over the period of the MTFs.</p> <p>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.</p> <p>5.5 The Council has managed to deliver services without calling on the General Reserve.</p> <p>5.6 The council places reliance protection provided by earmarked reserves.</p> <p>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.</p>	<p>Insufficient funding for annual maintenance</p> <p>Pressure on GR from the need to drive out savings / funding of one off investment e.g. commissioning etc.</p> <p>Opportunity cost of holding reserves.</p> <p>Potential to increase the risk of use of GR.</p> <p>Unsustainable budget supported by the General Reserve.</p>	<p>The MTFs assumes increases in the contribution to the annual budget for maintenance.</p> <p>2012/13 budget proposals maintain the General Reserve at c£2m. Regular reviews of reserve levels and increase General Reserve when opportunities arise.</p> <p>Reserves reviewed regularly. Reduced number of specifically earmarked reserves over recent years.</p> <p>Annual S151 Officer budget assessment</p>	<p style="text-align: center;">Page 112</p> <p>I am satisfied that the proposed budget is balanced and therefore meets the legal requirement to set a balanced budget.</p>
<p>6. Is the budget balanced?</p> <p>There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget</p>				

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.

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.

<p>Report author</p>	<p>Contact officers</p> <p>Mark Sheldon Director of Resources , Mark.Sheldon@cheltenham.gov.uk, 01242 264123</p> <p>Jane Griffiths, Director of Commissioning <u>Jane.Griffiths@cheltenham.gov.uk</u> 01242 264124</p> <p>Bob Dagger, Finance, CBH 01242 264225</p>
<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. Draft Housing Revenue Account Business Plan 2012 to 2042
<p>Background information</p>	

Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	<p>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.</p> <p>There are significant treasury management implications arising from these proposals and it is essential that early advice on funding decisions is obtained.</p> <p>Rental income is still subject to Government policy. The surpluses shown are primarily driven by rent increase assumptions in line with current policy.</p>	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

	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	<u>1</u>		0% - 5%	Almost impossible	<u>1</u>
Marginal	<u>2</u>		5% - 15%	Very low	<u>2</u>
Major	<u>3</u>		15% - 30%	Low	<u>3</u>
Critical	<u>4</u>		30% - 60%	Significant	<u>4</u>
			60% - 90%	High	<u>5</u>
			> 90%	Very high	<u>6</u>

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Cheltenham Borough Council HRA Business Plan 2012 to 2042

draft version: January 2012

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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	2	3	4	5	6	7	8	9	10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
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

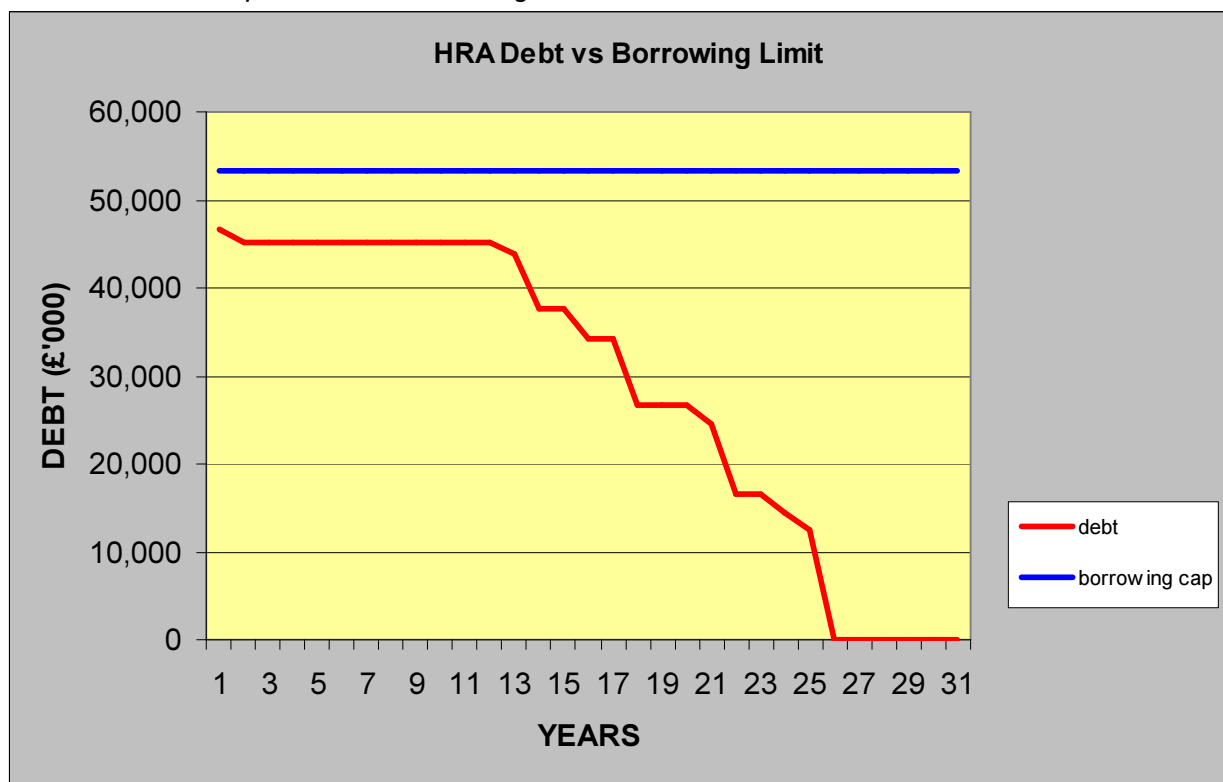
Year	1	2	3	4	5	6	7	8	9	10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt forecast											
Opening debt	46,609	45,217	45,217	45,217	45,217	45,217	45,217	45,217	45,217	45,217	
Repayment	-1,392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

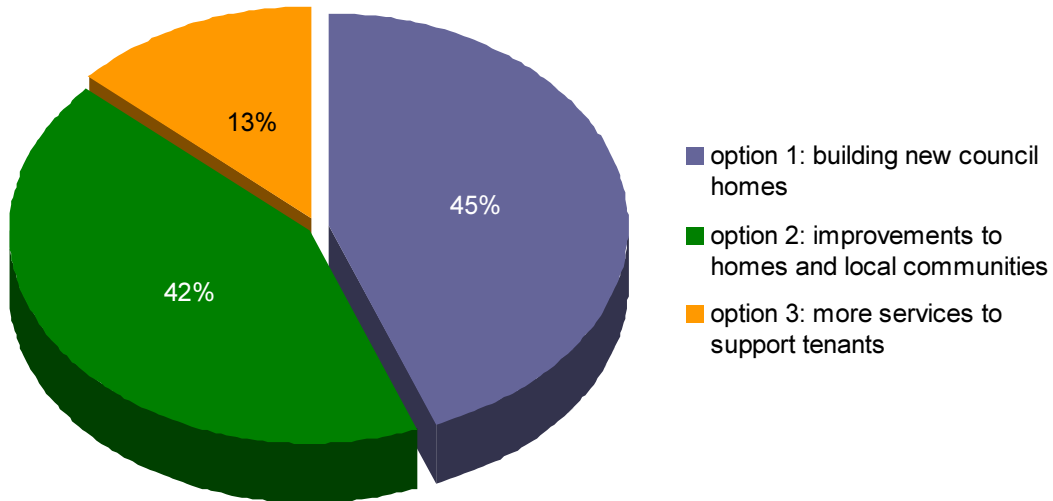
- ▶ CBH Surveys (Repair & Community Involvement)
- ▶ Neighbourhood Meetings
- ▶ Community Development events
- ▶ Community Representatives to survey their local areas
- ▶ Working groups
- ▶ Focus groups
- ▶ Learning Curve workshops
- ▶ Reception areas
- ▶ Community House & Hub
- ▶ Website
- ▶ Telephone 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.

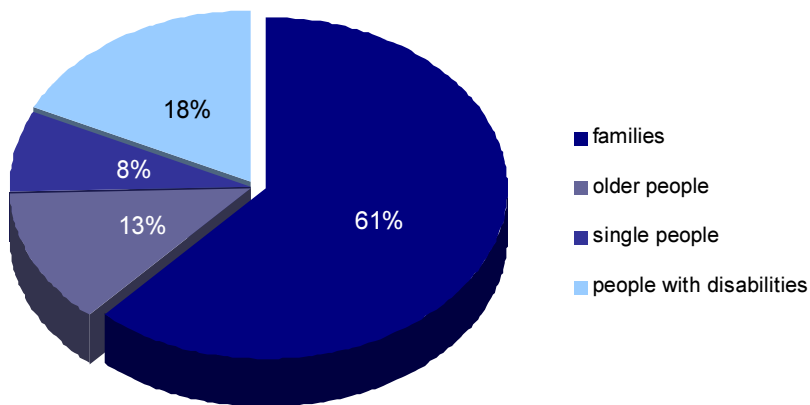
Three options were provided and the following pie chart shows the results. It shows the choices made by respondents for the 'most important' category only as a percentage of all choices against that category. It can be seen that there is a clear steer from respondents that both 'building new homes' and '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?



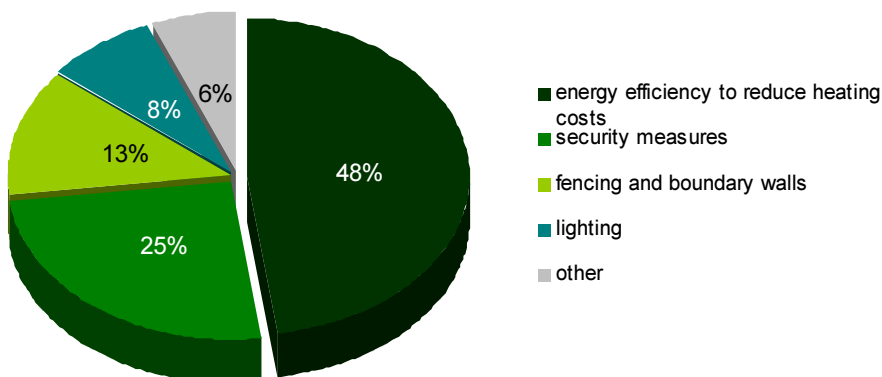
The following charts show the responses linked to each of the three options.

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%.

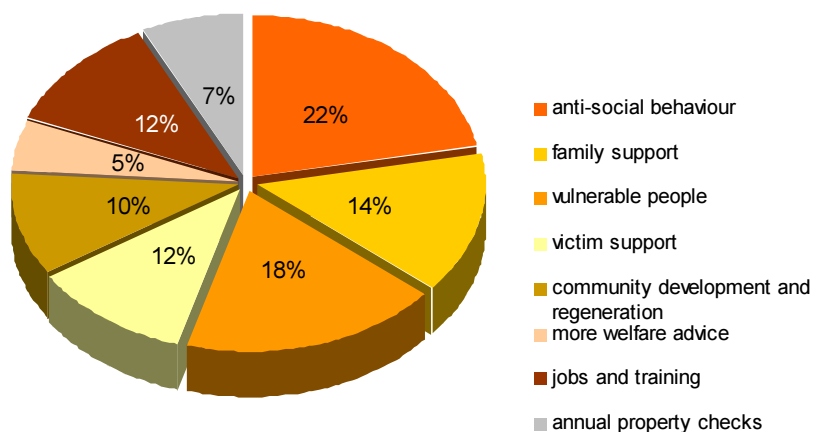
Linked to Option 2: what additional improvements should be considered inside and outside of homes?



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?

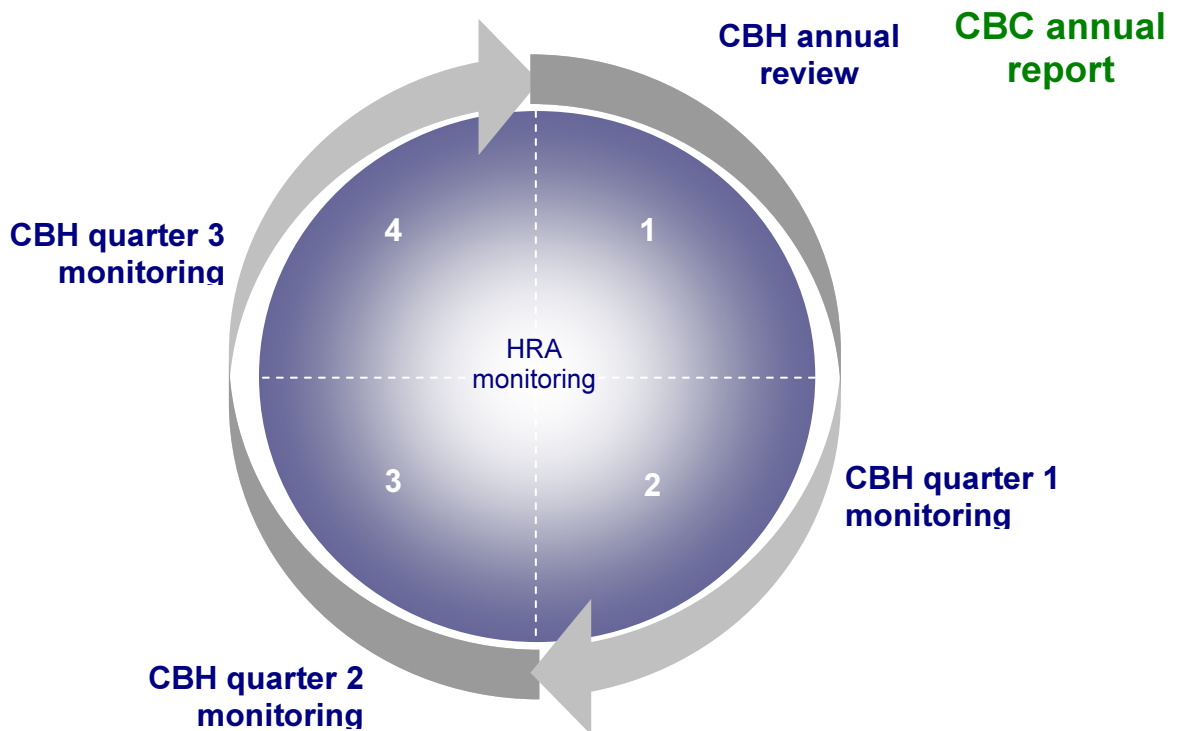


The distribution of responses as to which additional services should be considered is more varied, with the top five all within a 10% range of each other. 'Anti-social behaviour' emerged as the most important with 22% closely followed by services for vulnerable people at 18%, family support at 14% and 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

Revenue Account	2012/13												2041/42																		
	Year 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	25,339	26,070	26,822	27,596	28,393	29,212	30,055	30,922	31,814	32,732	33,677	34,648	35,648	36,676	37,734	38,823	39,942	41,095	
Interest receivable	35	61	84	113	101	93	88	83	82	84	121	163	180	103	163	205	115	115	191	273	324	262	375	456	545	479	688	909	1,143	1,390	
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	1,570	1,609	1,650	1,691	1,733	1,776	1,821	1,866	1,913	1,961	2,010	2,060	2,112	2,164	2,218	2,274	2,331	2,389	
Gross income	18,993	19,587	20,271	20,983	21,569	22,176	22,803	23,449	24,116	24,807	25,522	26,263	27,029	27,782	28,635	29,431	30,331	31,103	32,067	33,061	34,051	34,955	36,062	37,164	38,305	39,319	40,640	42,006	43,416	44,874	
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	8,153	8,356	8,566	8,780	8,999	9,224	9,455	9,691	9,934	10,182	10,436	10,697	10,965	11,239	11,520	11,808	12,103	12,406	
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	5,071	5,197	5,327	5,461	5,597	5,737	5,880	6,027	6,178	6,333	6,491	6,653	6,819	6,990	7,165	7,344	7,527	7,715	
Bad debt provision	225	275	367	379	392	403	415	427	439	452	465	479	493	507	521	536	552	568	584	601	618	636	654	674	693	713	733	755	776	798	
Other	151	114	95	76	81	90	92	94	96	99	101	103	105	108	110	112	115	117	120	123	125	128	131	134	137	140	143	146	150	154	
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	6,895	7,068	7,245	7,426	7,611	7,801	7,997	8,197	8,401	8,611	8,827	9,047	9,274	9,505	9,743	9,986	10,236	10,492	
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	1,731	1,599	1,525	1,451	1,292	1,133	1,133	1,088	874	704	659	571	263	0	0	0	0	0	
Capital contribution	0	514	593	2,897	3,034	3,113	3,194	3,276	3,360	1,900	1,950	2,002	2,055	2,108	2,745	2,889	2,964	3,041	2,807	2,880	2,955	3,031	3,109	877	901	926	952	978	1,005		
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	24,503	24,943	26,039	26,582	27,065	27,544	28,210	28,534	29,010	29,549	30,229	30,885	29,028	29,488	30,230	30,991	31,770	32,570	
Surplus	1,347	1,150	1,383	-528	-372	-277	-168	-52	73	1,752	1,964	2,219	2,586	2,839	2,596	2,849	3,276	3,559	3,857	4,527	5,041	5,406	5,883	6,279	9,277	9,831	10,410	11,015	11,646	12,304	
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	8,419	4,809	7,648	6,763	9,612	5,388	8,947	12,804	15,242	12,283	17,689	21,433	25,623	22,519	32,350	42,760	53,775	65,421	
Debt repayment	4,059	3,817	5,200	4,672	4,300	4,023	3,855	3,803	3,876	5,628	7,592	9,811	11,005	7,648	10,244	9,612	12,888	8,947	12,804	17,331	20,283	17,689	23,522	27,712	34,900	32,350	42,760	53,775	65,421	77,725	
HRA reserve c/fwd	-1,392	0	0	0	0	0	0	0	0	0	0	-1,392	-6,196	0	-3,481	0	-7,500	0	0	-2,089	-8,000	0	-2,089	-2,089	-12,381	0	0	0	0	0	
	2,667	3,817	5,200	4,672	4,300	4,023	3,855	3,803	3,876	5,628	7,592	8,419	4,809	7,648	6,763	9,612	5,388	8,947	12,804	15,242	12,283	17,689	21,433	25,623	22,519	32,350	42,760	53,775	65,421	77,725	

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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	<ol style="list-style-type: none"> 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	<p>As contained in the report and appendices.</p> <p>Contact officer: Mark Sheldon.</p> <p>E-mail: mark.sheldon@cheltenham.gov.uk</p> <p>Tel no: 01242 264123</p>
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Legal implications	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.

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

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If the increases in rent are not fully explained to tenants (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

	2011/12		2012/13
	Original	Revised	Estimate
	£	£	£
<u>EXPENDITURE</u>			
General & Special Management	1,835,700	1,852,500	1,832,200
ALMO Management Fee	4,330,200	4,330,200	4,514,500
Rents, Rates, Taxes and Other Charges	39,900	32,900	34,400
Transfer to Housing Repairs Account	3,953,000	3,953,000	3,844,900
Provision for Bad Debts	200,000	200,000	225,000
Interest Payable	576,900	528,700	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
<u>INCOME</u>			
Dwelling Rents	16,678,000	16,658,000	17,716,000
Non Dwelling Rents	421,000	424,800	431,800
Charges for Services and Facilities	705,100	725,400	735,600
Supporting People Grant	150,000	150,000	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
<u>Appropriations</u>			
Revenue Contributions to Capital	1,587,100	1,447,800	0
Transfer from Major Repairs Reserve	-86,000	-85,100	0
HRA Surplus / (Deficit) carried to reserve	-1,092,300	-961,400	1,346,600
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 £	Revised £
<u>EXPENDITURE</u>		
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
<u>INCOME</u>		
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		2012/13 Estimate £
	Original £	Revised £	
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		2012/13
	Original	Revised	Estimate
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>EXPENDITURE</u>			
Property Improvements & Major Repairs (incl fees)	4,368	4,529	4,732
Adaptations for the Disabled	350	350	350
Environmental Works (Tenant Selection)	60	60	60
Repurchase of Shared Ownership Dwellings	50	50	50
	<u>4,828</u>	<u>4,989</u>	<u>5,192</u>
<u>FINANCING</u>			
Capital Receipts			100
HRA Revenue Contribution	1,587	1,448	
Major Repairs Reserve	3,241	3,541	5,092
	<u>4,828</u>	<u>4,989</u>	<u>5,192</u>

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

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	<p>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 :</p> <ul style="list-style-type: none"> • 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 policies and objectives, and prescribing how it will manage and control those activities.
- 1.4 The local authorities (Capital Finance and Accounting) (England) Regulations 2003, which came into force on 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	24 th 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

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

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

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

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

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

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:

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

For the Band D Council Tax –

2012/13 £Nil*	2013/14 £Nil	2014/15 £Nil
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* As a proposed Council Tax freeze for 2012/13.

For average weekly housing rents

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

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

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.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013

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.

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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	Ave. rate
		£m	%
Fixed rate borrowing	PWLB	12.40	4.75
	Market	<u>15.90</u>	28.30m 4.00
Variable rate borrowing	PWLB	0	
	Market	<u>0</u>	
Temporary Borrowing			8.0m 0.36
TOTAL DEBT			<u>36.30m</u> 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.

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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.

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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.

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- 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 £27.881m 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

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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 led 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) <ul style="list-style-type: none"> • 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

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* 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.

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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 TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
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 TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
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

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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 Council's 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.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2012/2013**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.

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	
MRP Basis	Former regulations 28 and 29	4% of Non-Housing CFR	Expenditure capitalised by virtue of a Direction under s16(2)(b) of the Local Government Act 2003 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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