



# CHEL TENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Council

**Friday, 14 February 2014**

**2.30 pm**

**Council Chamber, Municipal Offices**

<b>Membership</b>	
<b>Councillors:</b>	Colin Hay, Wendy Flynn (Chair), Andrew Chard, Garth Barnes, Ian Bickerton, Nigel Britter, Chris Coleman, Barbara Driver, Bernard Fisher, Jacky Fletcher, Rob Garnham, Les Godwin, Penny Hall, Tim Harman, Rowena Hay, Diane Hibbert, Sandra Holliday, Peter Jeffries, Steve Jordan, Andrew Lansley, Paul Massey, Helena McCloskey, Andrew McKinlay, Paul McLain, David Prince, John Rawson, Anne Regan, Rob Reid, Chris Ryder, Diggory Seacome, Duncan Smith, Malcolm Stennett, Charles Stewart, Klara Sudbury, Pat Thornton, Jon Walklett, Andrew Wall, Simon Wheeler (Vice-Chair), Roger Whyborn and Suzanne Williams

### Agenda

<b>1.</b>	<b>APOLOGIES</b>	
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	
<b>3.</b>	<b>MINUTES OF THE LAST MEETING</b> Minutes of the meeting held on 16 December 2013	(Pages 1 - 20)
<b>4.</b>	<b>COMMUNICATIONS BY THE MAYOR</b>	
<b>5.</b>	<b>COMMUNICATIONS BY THE LEADER OF THE COUNCIL</b>	
<b>6.</b>	<b>PUBLIC QUESTIONS</b> These must be received no later than 12 noon on the fourth working day before the date of the meeting	
<b>7.</b>	<b>MEMBER QUESTIONS</b>	
<b>8.</b>	<b>FINAL GENERAL FUND BUDGET PROPOSALS 2014/15 (INCLUDING SECTION 25 REPORT)</b> Report of the Cabinet Member Finance and the Director Resources	(Pages 21 - 78)
<b>9.</b>	<b>FINAL HOUSING REVENUE ACCOUNT REVENUE BUDGET 2014/15</b> Report of the Cabinet Member Finance and the Director Resources	(Pages 79 - 94)

10.	<b>TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2014/15</b> Report of the Cabinet Member Finance	(Pages 95 - 122)
11.	<b>APPOINTMENT OF MAYOR AND DEPUTY MAYOR 2014/15</b> Report of the Chief Executive	(Pages 123 - 128)
12.	<b>THE WILSON - DEVELOPMENT PROJECT OUTTURN BRIEFING REPORT</b> Report of the Executive Director and the Director Resources.  Please note that this item contains exempt information. Should members wish to discuss this information a resolution would need to be passed to go into exempt session.	(Pages 129 - 140)
13.	<b>NOTICES OF MOTION</b>	
14.	<b>TO RECEIVE PETITIONS</b>	
15.	<b>ANY OTHER ITEM THE MAYOR DETERMINES AS URGENT AND WHICH REQUIRES A DECISION</b>	
16.	<b>LOCAL GOVERNMENT ACT 1972-EXEMPT INFORMATION</b> <b>The Council is recommended to approve the following resolution:-</b>  “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 and 3, 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)	
17.	<b>ST PAUL'S PHASE TWO</b> Report of the Cabinet Member Housing and Safety	(Pages 141 - 148)

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**Andrew North**  
**Chief Executive**

## Council

**Monday, 16th December, 2013**

**2.30 - 4.15 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Wendy Flynn (Chair), Colin Hay, Andrew Chard, Garth Barnes, Ian Bickerton, Nigel Britter, Chris Coleman, Barbara Driver, Bernard Fisher, Jacky Fletcher, Rob Garnham, Les Godwin, Penny Hall, Tim Harman, Rowena Hay, Sandra Holliday, Peter Jeffries, Steve Jordan, Andrew Lansley, Paul Massey, Helena McCloskey, Andrew McKinlay, John Rawson, Anne Regan, Rob Reid, Chris Ryder, Diggory Seacome, Malcolm Stennett, Klara Sudbury, Pat Thornton, Jon Walklett, Simon Wheeler (Vice-Chair) and Roger Whyborn

## Minutes

### 1. **APOLOGIES**

Apologies were received from Councillors McLain, Smith, Stewart, Wall and Williams.

### 2. **DECLARATIONS OF INTEREST**

Councillor Chard declared a personal and prejudicial interest in Agenda Item 9 as an owner of a licensed premise.

### 3. **MINUTES OF THE LAST MEETING**

Councillor Roger Whyborn proposed the following amendments to the draft minutes of Council 16 December 2013.

In Agenda item 10 (seconded by Cllr Walklett) last paragraph on page 15

After "displacement of traffic in to the St Paul's and other areas in the town was also of concern" add the words

"A Member commented that it was essential to sort out the congestion in St Margaret's Road, in conjunction with the traffic scheme and this had been referred to in the consultation report. If traffic couldn't flow freely into and through St Margaret's Road then this would displace traffic into other areas. Other members concurred with this view."

In Agenda item 11 (seconded by Cllr Regan) 4<sup>th</sup> paragraph on Page 20 -

The current draft says "There were some comments about the location of a bus station within the town and also the safety of cycling within the town centre."

Proposed wording "Two members strongly advocated the provision of a bus station as part of the package, and hoped that this could be achieved. There

were also concerns expressed by some about the safety of cycling within the town centre."

**Resolved that the minutes as amended of the meeting held on 18 November 2013 be approved and signed as a correct record.**

**4. COMMUNICATIONS BY THE MAYOR**

The Mayor reported that the iPad trial among Members was well underway.

The Mayor announced that she would be undertaking a Christmas day swim at the Lido in aid of her charities and sponsorship forms would be circulated shortly.

The Mayor paid tribute to the late Nelson Mandela and reported that a book of condolence had been opened in reception.

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

The Leader of the Council also paid tribute to Nelson Mandela.

The Leader referred to a recent article in the Echo which reported on a proposed suspension of emergency surgery in Cheltenham. This was obviously of concern but he clarified that this was in fact a report on an internal consultation document. He assured Members that should this evolve as an emerging consultation the council would be consulted.

The Leader reported that following the Council meeting on 18 November he had recently made a decision, on behalf of the Council, to request the County Council to progress the TRO process. He would be emailing all members to invite them to be involved in the liaison process which would comprise and members and residents. A meeting would be held in early January.

**6. PUBLIC QUESTIONS**

<b>1.</b>	<b>Question from Gary Scott Paterson to Cabinet Member Housing and Safety, Councillor Peter Jeffries (will be in attendance)</b>
	<p>In response to a recently published article in the national press (London Metro - Monday Dec 2nd) it was reported that Dr David Humphreys from the University of Cambridge has indicated that initiatives implemented over the past decade (in particular the implemented 24-hr licensed drinking and it's subsequent failure to reduce rates of alcohol-related violence) have '<b><i>lacked evaluation or systematic appraisal</i></b>'. '<b><i>While the emphasis on change and improvement should be encouraged, the enthusiasm to act needs to be balanced with careful, systematic attempts to understand the implications and effectiveness of these interventions</i></b>'.</p> <p>It is paramount to highlight many presently ignored factors when implementing the LNL such as cheaper supermarket prices and the issues related to '<b>pre-loading</b>' along with bars profiting via offering cheap drinks promotions bought and consumed prior to midnight. Both of which are to be considered a major contributing to many late night incidents requiring police intervention.</p>

	<p>Whilst not presently considered liable for the LNL to to it's rigid structure, it brings into question the 'fairness' of the LNL and it's ability to tackle any such problems regardless of how much revenue is raised by those venues continuing to trade after said time. ALL outlets selling alcohol for profit should share an equal proportion of responsibility which at present the proposed LNL does not address this issue and thereby it brings into question the effectiveness of targeting the issues raised and it's subsequent impact on those smaller venues trading fewer hours than the larger capacity clubs.</p> <p><b>The question</b></p> <p>It is my personal desire that In order for the LNL to achieve a satisfactory result in it's ambition to tackle drink related problems associated with the late night drinking culture i believe we need to study the reasons in more detail. I would like to inquire as to whether or not the Cheltenham Borough Council, Cheltenham Licensing and/or the Cheltenham Police have carried out any <b>impact analysis surveys (and are any such figures/results available to view?)</b> in relation to the late night trade and any increases in amounts in for example the amount of refuse created though more importantly the number of incidents requiring police assistance following the proposed LNL start time of 00.01am against those occurring due to the daytime sale and consumption of alcohol from supermarkets and bars trading from 08.00am which 'spills' over into the later hours presently ignored as a contributing factor when the LNL was first conceived.</p>
	<p><b>Response from Cabinet Member</b></p>
	<p>The Council is required to have regard to the cost of policing the night time economy and based on this the desirability of adopting the levy.</p> <p>In relation to the costs of policing the night time economy, Council will give consideration to the costs and impact of policing the night time economy. These include figures associated with number of incidents requiring police assistance, trends and resources required.</p> <p>Premises licensed for off-sales beyond the late night supply period will be liable to pay the levy. The Council does not have the ability to extend the late night supply period to apply before the prescribed times i.e. midnight so any premises, whether licensed for on or off sales, that is not licensed beyond midnight cannot be brought within the scope of the levy.</p> <p>Cheltenham Borough Council is very aware of “pre-loading” and cost issues associated with premises licensed for on sales and those for off sales and are currently looking of ways to address some of these issues via the alcohol co-ordination group.</p>

**7. MEMBER QUESTIONS**

1.	<b>Question from Councillor Tim Harman to Cabinet Member Sustainability, Councillor Roger Whyborn</b>
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	<p>Will the Cabinet Member, working with Ubico, seek to improve arrangements at the various "Bring Sites", such as Bath Terrace, over the Christmas and New Year period to prevent them from overflowing which regularly happens at Public Holidays. Will he look at either increasing capacity especially for packaging, glass bottles and cans or by providing additional collections?</p>
	<p><b>Response from Cabinet Member</b></p>
	<p>The Council is aware that in the period around Christmas and New Year bring sites are under pressure due to increased quantities of waste and reduced number of working days. The system is in fact at almost full capacity in that period, and any extra provision of capacity would be relatively expensive, as it would include not only labour cost but also vehicle hire. Officers are however taking steps to optimise the capacity, by utilising all possible collection hours which we have.</p> <p>Secondly, CBC and Ubico are currently involved in a comprehensive review of our bring site arrangements, but at the time of writing I would not want to commit to providing significant additional capacity from bring sites in the Christmas period. Indeed to put this into overall context, it is not a matter which is the subject of many complaints from the public. Officers are therefore confident CBC should be able to offer a reasonable service over the festive period using the existing resource.</p> <p>In a supplementary question Councillor Harman asked whether the Cabinet Member would consider improvements to bring sites and green waste collections in order to achieve targets.</p> <p>In response the Cabinet Member Sustainability said officers were looking at various ways to improve levels of recycling and this included a review of bring sites.</p>
<p><b>2.</b></p>	<p><b>Question from Councillor Jacky Fletcher to Cabinet Member Corporate Services, Councillor Jon Walklett</b></p>
	<p>Can the Cabinet Member for Corporate Services please tell this Council when all members can be assured that they will have 100% reliability, or as near as it practically possible, for access to IT through the CITRIX system.</p>
	<p><b>Response from Cabinet Member</b></p>
	<p>The ICT shared service has been working hard over recent months to upgrade the underlying ICT infrastructure which will improve the stability of key applications. The new Citrix environment was rolled out for testing with a key number of users and I am pleased to say that only minor issues were raised and these were resolved.</p> <p>As such, this will be rolled out across the organisation during early 2014. Whilst we can never guarantee that there will be 100% reliability, the new infrastructure will include back up arrangements with Forest of Dean District Council to ensure that the likelihood of Citrix being unavailable will be minimised and we are certainly aiming for 99.9% availability.</p>

	<p>We are also investigating out of hours cover arrangements which will provide additional support to both members and officers should there be an issue during evenings and weekends.</p> <p>In a supplementary question Councillor Fletcher asked whether members could be assured that Citrix was fit for purpose for the 21<sup>st</sup> century.</p> <p>In response the Cabinet Member Corporate Services said that Citrix had been chosen as an option in October 2012 as it was one of the few options available and many other councils were using it successfully. However, it did not work as well as anticipated due to the current IT infrastructure and a plan was in place to improve the continuity and availability of Citrix. It was hoped that all issues would be resolved in early 2014.</p>
<b>3.</b>	<b>Question from Councillor Anne Regan to Cabinet Member Leisure and Culture, Councillor Rowena Hay</b>
	<p>I am really impressed by The Wilson and what we have achieved by the refurbishment and the re-opening - it really is a credit to Cheltenham. However I was rather dismayed when I went to buy a Christmas card from there the other day and there were none on display and they had to be retrieved from in a cupboard. Therefore can the Cabinet Member responsible for Leisure and Culture reassure me that the entrance to The Wilson will be brightened up in time for Christmas and that staff are allowed some Festive spirit? Can the Cabinet Member also comment on why the shop is not part of the museum and are there any plans to direct visitors through the shop as they leave The Wilson?</p>
	<b>Response from Cabinet Member</b>
	<p>A partnership has been formed with the Gloucestershire Guild of Craftsmen to operate their Guild gallery / shop from the new ground floor retail area at The Wilson. The partnership proposal has been planned and discussed since 2010 - and works on two levels. The first is through a lease agreement which includes an annual rental for the premises - and the second is through an informal working agreement, covering shared events, exhibitions and promotional activities at The Wilson. The original proposal stated that the Guild would sell souvenirs for the Art Gallery &amp; Museum within the Guild shop - charging a commission on any items sold. However, as the agreement for the lease was being finalised (in July this year), the Guild decided that they only wanted to sell books for the Art Gallery &amp; Museum and not souvenirs. This obviously left a gap in provision of services for The Wilson - combined with the fact that the Art Gallery &amp; Museum was going through a major re-branding. Therefore a decision was made to set-up a temporary shop within the main ground floor reception area selling catalogues linked to the exhibitions programme and existing stock from the Tourist Information Centre - pending a review of new stock linked to (and reflective of) the new brand. The new Wilson Shop will be launched for the next major exhibition, Embrace (18th January), and the return of Rodin's Kiss on the 14th February.</p> <p>The Wilson does look very festive at the moment - with a number of Christmas trees in the main reception area, cafe (ground and first floor)</p>



	<p>and the main office windows.</p> <p>In a supplementary question Councillor Regan said that when the members working group met to discuss the commissioning of leisure and culture, one of the early discussions was about the shop and reassurance given about the retention of a visitor shop in the museum. She asked why there was not a souvenir shop selling gifts to remind people of their visit which may encourage them to pay a return visit to the Wilson.</p> <p>In response the Cabinet Member Sport and Culture explained that as already stated within her response, the shop would be launched in January. The Gloucestershire Guild of Craftsman had changed their minds about selling souvenirs within their shop at a late stage and given the delays in building work the priority was to open the museum on time rather than set up a shop.</p>
<b>4.</b>	<b>Question from Councillors Whyborn, McKinlay and Wheeler to the Leader, Councillor Steve Jordan</b>
	<p>Hatherley and Shurdington Triangle action group (Hashtag) have requested that local Councillors call upon Cheltenham Borough Council to remove the land between Up Hatherley Way and Chargrove Lane from the JCS plan, and that the Borough Council both takes note of these objections, and takes steps to save the Green Belt. Local Councillors are aware that numerous submissions around the town to the JCS consultation have raised serious concerns about proposed building on Green Belt land.</p> <p>Can the Council leader assure the Council that in further negotiations regarding the shape of the final JCS plan, that in the first instance he will be seeking to reduce the quantum of housing around Cheltenham, and secondly that the highest priority in deciding the preferred option JCS will be to minimise loss of green belt and green spaces, including the Chargrove triangle, and thirdly that further effort will be put into seeking further brownfield sites, including the additional factoring in of the occurrence of windfall brownfield sites, and the building of extensions to existing homes.</p>
	<b>Response from Cabinet Member</b>
	<p>Yes.</p> <p>The council undertakes a robust assessment of sites, this includes identifying brownfield sites. A call for sites has recently been undertaken as part of this sites assessment.</p> <p>The JCS team have received a representation (from Cllr McKinlay) on the inclusion of extensions to existing homes in the quantum of housing. Representations have also been received in regard to the proposed urban extension at Up Hatherley. These will all be considered in the next stage of the JCS.</p>
<b>5.</b>	<b>Question from Councillor Penny Hall to Cabinet Member Corporate</b>



	<p><b>Services, Councillor Jon Walklett (this question was referred to the Chief Executive for a response as Electoral Registration Officer)</b></p>
	<p>With Reference to Agenda Item 10, Review of Polling Districts, Places and Stations, and the consultation exercise that took place from October 10th 2013 until November 8th 2013 in Charlton Park Ward, I and Cllr Duncan Smith were informed by letter dated October 10th advising of the interim review. I assume that the other persons and organisations identified as consultees in the report were contacted in the same way. Is the Cabinet Member satisfied that corresponding with the Ward Borough Councillors and chosen consultees by letter and the Consultation process itself meets the standard of consultation required.</p>
	<p><b>Response from the Chief Executive, Andrew North (as Electoral Registration Officer)</b></p>
	<p>Letters were issued to ward members and chosen consultees (see report section 6.1 of agenda item 10) with the view that they then communicate with their community and we published a notice at the municipal offices. A folder was placed in reception with all of the details and these were also placed on the council's website. This is the process that the council uses for such reviews and conforms to Schedule A1 of the Representation of the People Act 1983.</p> <p>As Councillor Hall will be aware, unfortunately the relevant pages were not linked to the consultation pages on the website, although they could be found by using the search facility. Once she had brought this to the attention of officers, the website was amended and the consultation period was extended by a further two weeks and we advised of this extended period. The report is proposing no change at this time and as the report states there will be borough wide consultation on polling districts, places and stations next year. As this will be borough wide there is likely to be more media attention.</p> <p>In a supplementary question Councillor Hall explained the difficulty she had in retrieving the consultation document using the search facility on the website and despite the extension of the deadline by 8 days time still did not allow residents views to be sought.</p> <p>In response the Chief Executive acknowledged that there should have been a link to the consultation document on the front page of the website. He proposed that the issues could be looked at again in the summer 2014 when there would be a full consultation.</p>
<p><b>6.</b></p>	<p><b>Question from Councillor Rob Garnham to the Leader Councillor Steve Jordan</b></p>
	<p>Last weekend we saw Councils up and down the country supporting "Small Business Saturday". Can the Leader inform us what actions he arranged for this council to take with a view to supporting the small businesses of our town on this special day?</p>
	<p><b>Response from Cabinet Member</b></p>
	<p>Cheltenham Borough Council works hard to support small businesses in a number of different areas with some examples as follows:</p>

	<ul style="list-style-type: none"> <li>• Following requests from local retailers, CBC re negotiated the contract of the Christmas Market and now have it trading later into the Christmas season which has already resulted in increased coach bookings.</li> <li>• Through High Street Innovation funding, CBC has delivered retail training to independent retailers which they would otherwise have been unable to access.</li> <li>• Extended street entertainment during the day of the Christmas lights switch-on events boosted footfall and sales this year</li> <li>• An extensive programme of town centre markets and events – arts &amp; crafts; international; farmers; etc has led to greater opportunities for local independent retailers to trade in the town centre and has added to the vitality and viability of Cheltenham as a shopping destination.</li> <li>• The council is also funding an advice service to provide assistance to local people setting up new businesses.</li> </ul> <p>On car parking, Small Business Saturday was already expected to be the busiest Saturday of the year in Cheltenham. It is also difficult to ensure general parking discounts benefit small businesses. Feedback from local businesses was that any discounts would be more useful to them at quiet times of the year. We have listened to this advice and are working on schemes for 2014.</p> <p>In a supplementary question Councillor Garnham, asked what support the Council had given to small business Saturday. In response the Leader denied that he had sidestepped the issue, explained that the council already undertakes a lot of initiatives to support small businesses in the town.</p>
<b>7.</b>	<b>Question from Councillor Duncan Smith to the Leader, Councillor Steve Jordan</b>
	<p>The draft economic plan being submitted by the Gloucestershire LEP shows a need for an increase in employment land of 150% over and above the levels shown in the JCS document.</p> <ol style="list-style-type: none"> <li>1. Given that the JCS assumes that economic development will drive the need for housing numbers, what guarantees can the leader give that he will not be coming back to this chamber next year with a Final JCS document that is proposing significantly more housing than the current draft?</li> <li>2. Which sites will have to be brought forward to accommodate the extra 50,000 houses that would need to be built should the LEP plan prove to be more robust than the evidence base currently held to support the JCS?</li> </ol>

	<p>3. How will the inherent contradiction between this key economic plan and the current version of the JCS be resolved in time for a public inquiry?</p> <p>4. How does the Leader propose to consult the public on these issues? Given that the inclusion of the Up Hatherley land in the current draft of the JCS has attracted significant criticism of his administration for not consulting on this change, will he commit to a significant change to the JCS consultation timetable if further changes to numbers and sites are to be made to the JCS next year?</p>
	<p><b>Response from Cabinet Member</b></p>
	<p>The draft Strategic Economic Plan is due to be submitted to government by the Gloucestershire LEP by 19<sup>th</sup> December and it is not yet available although I am aware it is being worked on. However, the final SEP is not due to be completed until 31<sup>st</sup> March 2014 and will no doubt be subject to widespread discussion before then.</p> <p>I have seen no evidence for and would not support the level of employment land being suggested by Cllr Smith. Equally I don't know where Cllr Smith gets his estimate of an 'extra 50,000' houses but clearly this would be both impractical and unacceptable.</p> <p>The draft JCS attempts to use available evidence to make a balance between provision of employment land and housing. This and all the other evidence base for the JCS has just been consulted on. Further time for consultation is already allocated in 2014 prior to the final JCS being submitted for public enquiry.</p>

**8. APPOINTMENT TO CHAIR OF OVERVIEW AND SCRUTINY**

The Cabinet Member Corporate Services introduced the report. He explained that at Selection Council on 14 May 2012, Council resolved that all nominations for chairs and vice-chairs of committees should be made at that Council meeting rather than separate meetings of those committees immediately following Council which had been done in previous years.

Councillor Duncan Smith was duly elected as chair of O&S.

Councillor Garnham, as leader of the Conservative group, had advised the Chief Executive and other group leaders that Councillor Duncan Smith would be standing down as chair of O&S and Councillor Barbara Driver was the Conservative nomination to replace him. This was confirmed by Councillor Smith at the O&S meeting on 25 November when he indicated that the meeting on 9 January would be his last meeting as chair. As these appointments were made by Council it now fell to Council to appoint the new chair. Councillor Smith indicated that he would also be stepping down from the O&S committee at the same time and Councillor Chard would be taking his place.

**Resolved that Councillor Barbara Driver be appointed as Chair of Overview and Scrutiny Committee following the conclusion of the O&S meeting on 9 January 2014.**

Councillor Driver thanked Council for their support and said she would do her best as the new chair.

**9. ADOPTION OF A LATE NIGHT LEVY**

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

Councillor Jeffries, as Cabinet Member Housing and Safety, introduced the report saying Cheltenham has a vibrant night-time economy that far exceeds other towns of similar sizes. The town offers a rich choice of entertainment and facilities which makes it a destination that attracts high numbers of visitors, with some travelling considerable distances to enjoy what the late night economy has to offer. The town also hosts a number of internationally renowned festivals throughout the year.

He reminded Members that although the vast majority of people visiting the town do so safely and responsibly, an active night-time economy nonetheless demands additional resource and cost for the council, police and other partners to deal with associated crime, disorder and other anti-social behaviour. The council has set out a priority to strengthen communities by making those communities feel safe and ensuring they are safe. By working in partnership with the police and other stakeholders it has brought forward a proposal to adopt a late night levy in Cheltenham.

He advised that the late night levy is a new discretionary power arising from Part 2 of the Police Reform and Social Responsibility Act 2011. The levy can be charged to persons who are licensed to sell alcohol between midnight and 6am as a means for raising a contribution towards the costs of policing the late night economy.

He drew attention to the exemptions which the council could choose to apply and also the discretion as to the proportion of the funds raised, which it must allocate to the Police and Crime Commissioner (PCC). The levy if adopted would raise around £200,000 before exemptions, reductions for costs and any variations. The report outlined the consultation that had taken place and the issues that had been raised

In coming to a decision as to whether to adopt the levy the council must consider the cost of policing and the desirability of raising revenue. The costs of policing were set out in section 8.9 of the report. It could be seen that these costs were significant and in terms of desirability of raising the revenue, Councillor Jeffries felt that public safety and the costs of cleaning were important factors.

Section 11 of the report set out the outcomes which might be achieved with the introduction of the levy, and advised that the PCC had given assurances that if the scheme was introduced he would ensure that the money would be spent in Cheltenham. There had been meetings with the police and the trade, who were supportive of one single programme, with an advisory group identifying how the money should be allocated.

In his summing up he reminded Members that licensees have a business choice as to whether they wish to serve alcohol after midnight and also to adopt

best practice schemes and asked Members to support the recommendations as outlined in the report.

The Mayor then asked Members for any questions on the report before moving to the main debate. The following responses were given:

- The scheme has to be borough wide
- Any establishment serving alcohol during the levy period (0:01 to 6:00 hrs) would be subject to the levy. This would include small residential hotels and B&Bs.
- The scheme would be operational from 1 April 2014, but given that the funding will not be available until 2015, it would not be sensible to review it until after this period. The PCC has indicated that should the advisory groups identify projects prior to funding being available, then he may be able to provide some upfront funding. The levy has no automatic review date, and the decision to review is one for the Executive to determine.
- The advisory group will include representatives from the licensed trade so they will be able to monitor the impact of the levy on the trade.
- It was recognised that much of the litter is generated from people throwing away takeaway packaging but the levy only applies to licensed premises. However this may be something that could be considered as a project by the advisory group.
- The recommendations are that none of the potential exemptions set out under regulations 4a to 4h should be applied. The only exemption that has been recommended is the exemption for New Year's Eve. It is for the license holder to determine whether they wish to sell alcohol after midnight.
- Monitoring of the licenses is undertaken by the police and the licensing team. Whether the establishment is a large hotel, nightclub or a small hotel they are still selling alcohol with the consequences of doing so. If an establishment chose not to have a license for selling alcohol after midnight but continued to sell alcohol, it would be committing an offence and subject to prosecution.
- If the levy was adopted the licensing team and police would continue to follow their normal enforcement procedures and policies.
- Establishments can apply for a temporary event license and this is not covered by the late night levy.
- The levy is designed to deal with the impact of late night drinking regardless of location.

As there were no further questions the Mayor then moved to the substantive debate.

Councillor Garnham, a chair of the former Police Authority, said that he had been supportive of the late night levy proposals when the 2011 Act was introduced, as he believed that those who create the mess and problems should be expected to pay for dealing with it. However following the clarifications that Members had received in response to their questions, he now had concerns and felt that the proposal was a sledgehammer to crack a nut. He did not understand how it was equitable that a large hotel, such as The Queens Hotel, should pay the same amount as a small privately run hotel. He believed that more needed to be done to understand the impacts of alcohol and particularly preloading i.e. when young people drink at home before they go out. In principle he was supportive that those clubs where there are fights, litter and

people unwell, should pay for the resource required to deal with the issues, but was unhappy that the council would not be applying any exemptions. He felt that the scheme was an example of red tape, it was bureaucratic and would require significant administration and monitoring. He reminded Members that the council may retain a proportion of the business rates, and it should look to maximise this income by growing the economy and using this to offset the costs of the night time economy. He questioned whether the council had the employees to enforce the proposals and that it was too blunt an instrument to deal with a range of complex issues. On that basis he and his group would be voting against the recommendations.

Several Members commented that they thought that the levy was a good idea and that it would support the vibrant night time economy by making it a safe and enjoyable environment. The funds raised could be used to support the taxi marshals, the street pastors and potentially street cleaning and extended toilet opening hours. The assurance from the PCC that the money would be spent in Cheltenham to support community safety outcomes was welcomed. The scheme would be reviewed at some point and in the meantime it was important that there was a partnership approach with the police to encourage best practice and ensure that individuals drink responsibly.

One Member made reference to the supply of cheap alcohol available from supermarkets, and also to the attitude of the pub companies who have closed the local neighbourhood pubs which tended to be self policing. They felt that the council should be campaigning to change this pattern of behaviour by these national companies. They also felt that when reviewing the scheme, consideration should be given to the exemptions which are available and that these could be seen as an incentive for small establishments and community organisations to operate responsibly.

Another Member reminded the Council that the adoption of a levy was a discretionary power and that the Council was not required to adopt the proposals. They felt that the proposed split of funding, i.e. 70% to PCC and 30% to CBC, would leave very little for the proactive actions as proposed by other Members. They also highlighted that the PCC was intending to raise the precept, and that the council should not introduce the proposals but consider alternative ways of addressing the issues.

One Member felt that the proposals were targeting the wrong people and that more should be done to encourage people to drink responsibly. They would want to see the money ringfenced, to make sure it does not get used for other things. They also questioned how the review would work; and if it was found that the scheme was unsuccessful, as to whether they would refund the levy.

Councillor Jordan, Leader of the council, said he was supportive of the proposal and reassured Members that the money would be ringfenced and the PCC had also given similar assurances. He recognised that it was a new tax on businesses and as such the council needed to demonstrate why it should be introduced. He felt that the proposal to have one programme overseen by an advisory group was the right thing to do and would build on existing partnership working. He recognised some of the concerns regarding the exemptions but also reminded them that businesses will make a choice based on their business needs and financial situation as to whether they sell alcohol after midnight. As



the Cabinet lead for the economy he advised Members that the town currently does not have any business improvement districts (BID), and should one be introduced, which has been discussed, then one could not have the levy and the additional rates arising from a BID. He felt that given that only 50 people had responded to the consultation, it was not a huge issue and that some of the feedback had been positive. He stressed that the council would work with the trade to minimise the concerns that have been expressed.

Indicating that it had been an interesting debate, a Member said that all the issues relating to the night time economy were centred on the town centre whilst the exemptions, if applied, would be for those outside of the main core area. They asked the Cabinet Member to explain why he was recommending that the exemptions should not be applied. They were supportive of the idea as a way of dealing with town centre issues, but felt that more thought should be given to the proposal as it was a blunt instrument in the way it was being implemented across the whole town.

In his summing up, Councillor Jeffries advised Members that he did not have the freedom to design a scheme as the regulations were set by government and the council has to apply these if it is to implement a levy. The introduction of the levy will support the town and if exemptions had been applied they would have reduced the income available to introduce actions to minimise the impact of late night drinking. He reminded Members that businesses have options and can choose how they wish to run their business based on business needs. He felt that the proposed levy would support the town and asked Members to support the recommendations. With regards to the issues of preloading, he acknowledged that this was a national issue and outside of the scope of the levy.

**Resolved that:**

- 1. The consultation feedback be noted.**
- 2. Pursuant to section 125(2) of the Police Reform and Social Responsibility Act 2011 (“2011 Act”) the late night levy be applied in Cheltenham;**
- 3. Pursuant to section 132(1) of the 2011 Act:-**
  - a) that the 1<sup>st</sup> of April 2014 be the date on which the late night levy requirement is first to apply; and**
  - b) for the first levy year and, subject to section 133 of the 2011 Act, each subsequent levy year;**
    - i. that the late night supply period be set from 00:01 to 06:00;**
    - ii. that the following permitted exemption categories as defined in regulation 4 of the Late Night Levy (Expenses, Exemptions and Reductions) Regulations 2012 are to apply:-**
      - (1) regulation 4(i) – premises authorised to supply alcohol for on consumption only between midnight and 6 am on 1 January.**



- iii. that the following permitted exemption category as defined in regulation 4 of the Late Night Levy (Expenses, Exemptions and Reductions) Regulations 2012 is not to apply:-
    - (1) regulation 4(a) – hotels etc. supplying alcohol for on-consumption by resident patrons;
    - (2) regulation 4(b) – theatres supplying alcohol for on-consumption to ticket holders, performers, guests at private events;
    - (3) regulation 4(c) – cinemas supplying alcohol for on-consumption to ticket holders, guests at private events;
    - (4) regulation 4(d) – bingo halls where the playing of non-remote bingo is the primary activity;
    - (5) regulation 4(e) – registered community amateur sports clubs;
    - (6) regulation 4(f) – community premises like church halls and village halls, etc. that are subject to the alternative licence condition;
    - (7) regulation 4(g) – single country village pubs in designated rural settlements which receive rate relief; and
    - (8) regulation 4(h) – premises liable for the Business Improvement District levy.
  - iv. that the following permitted reduction category as defined in regulation 5 of the Late Night Levy (Expenses, Exemptions and Reductions) Regulations 2012 be applied-
    - (1) regulation 5(1)(a) – members of business-led best practice schemes.
  - v. that the following permitted reduction category as defined in regulation 5 of the Late Night Levy (Expenses, Exemptions and Reductions) Regulations 2012 is not to apply:-
  - vi. regulation 5(1)(b) – certain premises authorised to supply alcohol for on-consumption which receive small business rate relief.
  - vii. that the proportion of the net amount of levy payments that is to be paid to the relevant local policing body under section 131 of the 2011 Act is 70 per cent.
4. That the Deputy Chief Executive, in consultation with the Cabinet Member Housing and Safety, shall have delegated powers to do all things necessary to implement these decisions, including:-

- a) power to publish notice of the decisions in accordance with regulation 9(1)(b) of the Late Night Levy (Application and Administration) Regulations 2012;
- b) power to determine whether the holders of any relevant late night authorisations fall within any permitted exemption or reduction categories;
- c) power to determine the aggregate amount of expenses of the Council that are permitted deductions under section 130(1)(b) of the 2011 Act;
- d) power to publish annual notices under section 130(5) of the 2011 Act relating to anticipated expenses and the net amount of the levy payments;
- e) power to make adjustments to payments in accordance with paragraph 7 of the Late Night Levy (Application and Administration) Regulations 2012;
- f) power to determine from time to time when and for what purposes the Council will apply the non-specified proportion of the net amount of the levy payments; and
- g) to enter into an agreement with the Police and Crime Commissioner regarding the use of the net amount of levy payments as a single programme and the establishment of a Late Night Levy Advisory Group to facilitate a single programme.

**Voting : For: 24, Against: 5, Abstentions : 4**

#### **10. REVIEW OF POLLING DISTRICTS PLACES AND STATIONS**

The Chief Executive, Andrew North, introduced the report and advised Members that every five years the council has to undertake a review of its polling places and polling stations and that this would be undertaken next year. Such a review needs to consider how easy it is for voters to reach a polling station; that the station is located in the polling district it serves if at all possible; and that there is disabled access to the premises. However, the council can consider interim reviews if it is felt that there is an issue with a specific polling station.

Councillor Sudbury had advised him that the voters of EA polling district had felt that the proximity of the polling station needed to improve, and that she had come up with the proposal to use the Church of the Latter Day Saints. Currently those in EA polling district vote at Sacred Hearts Church. He advised Members that he had placed a copy of the locations on the map on the display board in the chamber and Members may wish to look at the map prior to making a decision. Although neither he nor his team had received complaints about the use of the current location, and the ward was one with a higher turnout in elections than other wards, he was happy that the proposal would be a suitable location and therefore had undertaken an interim review.

He advised Members that there had been only two responses, although as Councillor Hall had previously indicated in her question during Member question

time, there had been some issues with the information on the website. One elector was very opposed to the suggested change of location, and the other, although happy for the station to move, had suggested the alternative location of the Lido. The report sets out the implications of this alternative suggestion.

Given the low response rate and that there was no support for the proposal, he was recommending that the polling station should not change for voters in EA polling district but that it would be reviewed next year as part of the borough wide review.

As there were no questions the Mayor moved to the substantive debate.

Councillor Hall, as the ward councillor for the area, advised that she canvasses the area on a regular basis and listens to the issues of the electors. Apart from one elector, the location of the polling station had not been raised as an issue. She felt that the location of a second porta-cabin at the Lido was not an option as the car park was already congested on the day of an election. She was pleased that no changes had been made to the polling station location and that it would form part of the borough wide review.

Councillor Sudbury explained why she had asked for the review to be undertaken. She had been contacted by several electors, and reminded Members that the polling district goes down to College Road/Hewlett Road so it is a long distance to the polling station. She explained that there are residents in Keynsham Road who live over the road to the polling station at the Lido and cannot understand why they cannot vote at this location. She was pleased that the review had been undertaken, and had originally wanted the Lido as a suggested location until she realised the costs. This was why she had then suggested the Church of the Latter Day Saints as it was a suitable location and very pleasant venue. She advised Members that her colleague Paul Baker had put out a newsletter making reference to the review, but she was not surprised that there had been a poor response to the consultation as it was hard to find the information on the website. She believed that it was a matter of fairness that people had access to a suitably located polling station and although acknowledging that voters could have a postal vote, they should not be denied the opportunity to vote locally.

A Member questioned why the review had taken place given that there had not been any complaints to the council, and that the review was a waste of time and money when there were other priorities.

There was a suggestion that the new Fire and Rescue building was considered when the review is undertaken next time, as the building was designed to be used as a community resource.

In summing up the Chief Executive said that it was part of his responsibilities to undertake interim reviews of polling stations and polling places and he took the decision to review as there was a justifiable case with regards to location. In terms of costs, these had been minimal and were mainly officer time. In conducting the full review next year, he would ensure that the fire station was looked at as a potential venue.

Upon a vote it was

**RESOLVED THAT**

- 1. All electors in the current polling district EA continue to vote at Sacred Hearts Parish Hall, Moorend Road.**
- 2. These arrangements will be considered further as part of the full review of polling districts, polling places and polling stations to be carried out during summer 2014 and any changes that are agreed will be implemented before the Parliamentary election in May 2015.**

**Voting : Carried with 2 abstentions**

**11. TREASURY MID TERM REPORT 2013/14**

Councillor Rawson, Cabinet Member finance introduced the report which fulfilled two purposes; i.e. to demonstrate performance over the last six months and that the council is operating within the agreed parameters. He advised that before the downturn the council's treasury management played an important part in the council's finances with investment income of around £0.75m, but with the downturn in the global economy the investment income is now very modest. However it is still important that the Council is satisfied as to the way in which its investments and loans are being managed, and he was pleased to report that over the last six months the council has managed its cash flow in such a way that short term borrowing has been reduced. The level of investment income was higher than predicted, due to favourable interest rates. He pointed out that long term borrowing had increased due to the loan which had been taken out on behalf of the airport. He referred Members to section 4.4 to 4.7 of the report which set out the position in relation to the Icelandic banks.

He concluded that the council was operating within its prudential borrowing guidelines and thanked the officers, particularly Andrew Sherbourne for his work on treasury management. He also thanked the chair of treasury management panel, Councillor Tim Harman, and its members for their monitoring work.

There being no comments or questions the Mayor moved to the vote

**RESOLVED THAT the contents of the summary report of the treasury management activity during the first six months of 2013/14 be noted.**

**12. NOTICES OF MOTION**

Councillor Harman proposed the following motion which was seconded by Councillor Driver:

*"That this Council formally records its thanks and appreciation to the many people in the Town who give of their time on a voluntary basis to help those in need and to support projects that benefit others.*

*Cheltenham is very fortunate to be enriched by our volunteers many of whom receive no recognition and who add such value to our Community."*

In proposing the motion he advised Members he had been involved in public life for 40 years and had a huge respect for those involved with volunteering. He was always impressed with the work that individuals do and hoped Members would support this simple resolution as a way of saying Thank You to so many people.

In seconding the motion Councillor Driver said that all Members were aware of the work done by the voluntary and community sector (VCS) but her time as Mayor had opened her eyes to all the individuals who do so much. She felt they were unsung heroes and was proud of everything they do.

Other Members, some of whom were also past mayors, supported the motion. They felt it was often the unseen volunteers who provided some of the most valuable support to communities and the town was blessed with so many dedicated individuals who are prepared to spend time within the community. Members recognised the sometimes difficult and challenging nature of volunteering but also recognised its rewards and how individuals are passionate about their work.

Some Members spoke about the critical role that volunteers play in society and the increasing difficulty of recruiting young volunteers and also the potential difficulty in the future with the rise in retirement age. They felt that the motion was a good opportunity to be proactive and ensure that the message gets out in the media, not only thanking volunteers but encouraging others to volunteer. A Member suggested that there may be some formal recognition, such as a specific church service which had been held a few years ago to celebrate the role of the VCS.

One Member speaking in support of the motion also flagged up the role of parish councillors who are also volunteers as their work in the community is important.

Another Member commending the motion, made reference to the work of the volunteers who were packing and distributing food parcels, and felt that it was appalling that such measures were required.

The Deputy Mayor said that he thought that it was important for the council to not just recognise the work of the VCS but to actively support them and gave an example of a public transport issue which impacted on a specific charity. He thought that the council could assist by lobbying Stagecoach to reroute the No. 94 bus. Another Member advised that the Airport had made a similar request, as it would help not just the charity but the businesses located in the area.

A couple of Members made reference to the need to acknowledge the role of those involved with the support network for volunteers, who do a vital job in supporting those actively seeking volunteering roles and also those who are volunteers. Councillor Ryder made specific thanks to officers and Andrew North, with regards to the support she had received from the council as a trustee and chair of a charitable organisation who supports volunteers.

The Mayor told Members that she was aware that a number of councillors also undertake voluntary work and would want to add her thanks to them also.

In his summing up, Councillor Harman, said he was in agreement about the positive benefits individuals get from volunteering, including for some individuals motivation and feeling less isolated. He asked if the Mayor or deputy Mayor would consider thinking about organising a civic service at some point to recognise the work of the VCS.

Upon a vote the motion was carried unanimously.

**13. TO RECEIVE PETITIONS**

The Mayor advised that she had received a petition from Chris Nelson with regards to the land at Leckhampton and the JCS. The petition would be passed to the relevant officers within the council for a response.

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

There were no urgent items.

Wendy Flynn  
Chair

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**Cheltenham Borough Council**

**Cabinet – 11<sup>th</sup> February 2014**

**Council – 14<sup>th</sup> February 2014**

**General Fund Revenue and Capital – Revised Budget 2013/14, and  
Final Budget Proposals 2014/15**

<b>Accountable member</b>	<b>Cabinet Member for Finance, Councillor John Rawson</b>
<b>Accountable officer</b>	<b>Director of Corporate Resources (Section 151 Officer), Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>Overview and Scrutiny Committee</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<b>This report summarises the revised budget for 2013/14 and the Cabinet’s final budget proposals and pay policy statement for 2014/15.</b>
<b>Recommendations</b>	<p style="text-align: center;"><b>Cabinet / Council</b></p> <ol style="list-style-type: none"> <li><b>1. Note the revised budget for 2013/14 with a projected budget saving of £444.6k and approve the proposals for its use as detailed in Section 3.2.</b></li> <li><b>2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.</b></li> <li><b>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 2014/15 (a 0% increase based on a Band D property).</b></li> <li><b>4. Approve the growth proposals, including one off initiatives at Appendix 4.</b></li> <li><b>5. Approve the savings / additional income and the budget strategy at Appendix 5.</b></li> <li><b>6. Approve the proposed capital programme at Appendix 7, as outlined in Section 9, including the additional underwriting of £360,000 to support the Art Gallery and Museum redevelopment scheme (separate report to council).</b></li> <li><b>7. Approve the proposed Property Maintenance programme at Appendix 8, as outlined in Section 10.</b></li> <li><b>8. Approve the reserve realignments outlined in section 8 and the level of reserves projected at Appendix 6.</b></li> </ol>

9. **Approve the Pay Policy Statement for 2014/15 at Appendix 9.**
10. **Approve a level of supplementary estimate of £100,000 for 2014/15 as outlined in Section 14.**
11. **Note that the Council will remain in the Gloucestershire business rates pool for 2014/15 (para 4.12).**
12. **Approve no change to the Local Council Tax support scheme in 2014/15 (para 4.18).**

<p><b>Financial implications</b></p>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail:</b> paul.jones@cheltenham.gov.uk</p> <p><b>Tel no: 01242 775154</b></p>
<p><b>Legal implications</b></p>	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>The Local Government Act 2012 introduced a radical change to the local government finance system. The key changes introduced by the Act were:</p> <ul style="list-style-type: none"> <li>• implementation of the Business Rates Retention Scheme;</li> <li>• replacement of the existing Council Tax Benefit system with local Council Tax Support;</li> <li>• implementation of changes to council tax rules to provide some local flexibility on the council tax local authorities can charge on empty properties.</li> </ul> <p>All of the above changes came into effect for the 2013/14 financial year.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements.</p> <p>The Localism Act 2011 also contains requirements for local authorities to hold a referendum where council tax is proposed above a specific 2% increase.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail:</b> peter.lewis@tewkesbury.gov.uk</p> <p><b>Tel no: 01684 272012</b></p>

<p><b>HR implications (including learning and organisational development)</b></p>	<p>In the spirit of building on our positive employee relations environment, the recognised trade unions have received budget briefings at the Joint Consultative Committee on 24<sup>th</sup> October 2013 and 23<sup>rd</sup> January 2014. Dialogue with the recognised trade unions will continue in order to ensure that the potential impact on employees is kept to a minimum. The Council's policies on managing change and consultation will be followed.</p> <p>Going forward, it is important that capacity is carefully monitored and managed in respect of any reductions in staffing and reduced income streams.</p> <p>This report meets the requirements of the Localism Act and identifies pay comparison measures set out in the Hutton report to ensure clarity in senior pay in the public sector.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264355</b></p>
<p><b>Key risks</b></p>	<p>As outlined in Appendix 1</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The aim of the 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.</p>
<p><b>Environmental and climate change implications</b></p>	<p>The final budget contains a number of proposals for improving the local environment, as set out in this report.</p>

The Council takes its statutory duties to promote equality of opportunity seriously. The 2010 Equality Act sets out that we must have due regard to the need to advance equality of opportunity between people who share a protected characteristic and those who do not. The groups that share a protected characteristic include those defined by age, ethnicity, disability, religion or belief and sexual orientation.

The Cabinet Member Finance and Chief Finance Officer have been mindful of this statutory duty in how the budget proposals have been prepared. The community and equality impacts of the various budget proposals are as follows:

<p><b>Budget Proposal</b></p>	<p><b>Potential community and equality impacts and any mitigating actions</b></p>
<p>Organisational changes, including management and staff restructuring</p>	<p>Ensuring that our human resource processes used to enable staff restructuring are compliant with equality legislation</p>
<p>Shared services</p>	<p>As above, ensuring that our human resource processes, used to enable staff restructuring are compliant with equality legislation</p>
<p>Commissioning</p>	<p>The equality and community impacts of the leisure and culture commissioning review were set out in report to cabinet on 12 December 2012; the report identified that the agreed outcomes recognise the groups where participation is potentially lowest; this is being captured in the specification and contract. We will carry out an equality impact assessment as part of the revenue and benefits commissioning review</p>
<p>Supplies and services savings</p>	<p>None identified</p>
<p>Reductions in Everyman and Regeneration Partnership grants</p>	<p>None identified – budget savings were set out in the grant agreements already entered into</p>

already agreed in previous budgets	
Cheltenham Borough Homes contribution to community development	The regeneration partnership community investment grants will be funded from the CBH Investment Pot with no changes to grant arrangements.

## 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 2014. The consultation took place between the period 18th December 2013 to 24th January 2014 and this report sets out the final proposals for 2014/15.
- 1.2 The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, around 45% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.
- 1.3 The New Homes Bonus forms an integral part of the financing of local government and is indeed used in the Government's preferred terminology of 'Spending Power' that it utilises when the settlement is announced. The final budget proposals sets out clearly the anticipated use of New Homes Bonus to support the Council's spending requirement.

## 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 Rather than writing a separate report to Council, the Section 151 Officer has taken a risk based approach to his assessment which is attached at Appendix 2.

## 3. 2013/14 Budget Monitoring to November 2013

- 3.1 The budget monitoring report to the end of November 2013, considered by Cabinet on 14<sup>th</sup> January 2014, identified a potential projected underspend of £444.6k for the current year, 2013/14.
- 3.2 The Cabinet recommends to Council, that this projected budget saving be used to fund the following expenditure:
  - A new earmarked reserve of £200k to be set aside to support the new Cheltenham Leisure and Culture Trust should any unforeseen deficits arise in the early years of trading.
  - Additional one off funding of £150k to support the creation of the Cheltenham Leisure and Culture trust in 2014/15 that were not provided for in the 2013/14 budget.
  - The remaining underspend of £94,600 to be transferred to a newly created car parking equalisation reserve to support the potential shortfall in income due to the closure of North Place and Portland Street car parks.
- 3.3 Further details on the reasoning for creating these new 'earmarked reserves' is captured within section 8.

#### 4. Finance Settlement and significant changes to Local Government Finance

- 4.1 Since 2009/10 the Council's core funding from the Government has been cut by some £4.2 million, from £8.8 million to £4.6 million (this excludes council tax support funding which transferred into the settlement funding assessment in 2013/14).
- 4.2 On 5<sup>th</sup> February 2014, the Local Government Minister announced the final local government settlement for 2014/15 and the illustrative settlement for 2015/16.
- 4.3 The proposed levels of central government funding for this Council are set out in the table below. Overall, 'core' central government funding (referred to as the Settlement Funding Assessment) will reduce by 12.3% in 2014/15 and 15.3% in 2015/16.

	2013/14 £m	2014/15 £m	2015/16 £m
Revenue Support Grant	3.731	2.921	2.015
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.482	2.530	2.601
<b>Settlement Funding Assessment</b>	<b>6.213</b>	<b>5.451</b>	<b>4.616</b>
Actual cash (decrease) over previous year		(0.762)	(0.835)
% cash cut		(12.3%)	(15.3%)

- 4.4 The more detailed analysis of the net budget requirement for 2014/15 and the funding available is attached at Appendix 3.

#### Business Rate Retention and Pooling

- 4.5 The Business Rates Retention Scheme was introduced on 1<sup>st</sup> April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rates yield is divided - 50% locally and 50% to the Government. The Government's share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the district councils' share has been set at 80%, with the County Council's share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.
- 4.6 In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the levy from 50% to 19%. Any surpluses generated by the Pool will be allocated in accordance with the governance arrangements agreed by the Gloucestershire councils.
- 4.7 The Gloucestershire Chief Finance Officers have monitored the financial performance of the business rates pool during 2013/14 and, at the time of writing this report, the performance of the pool has exceeded expectations. However, the final position will not be known until the summer when the final out-turn position is declared for each Gloucestershire billing authority.
- 4.8 A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the 2010/11 financial year (occasionally 2005/06) which reduces the business rates yield in the year in which the refund is made.

- 4.9** In the Autumn Statement, there was recognition of the problem being faced by local authorities in terms of forecasting business rate yields over the medium term, due to the level of uncertainty surrounding business rate appeals. A commitment has therefore been made that the backlog of valuation appeals will be cleared by Valuation Office by July 2015.
- 4.10** The Autumn Statement included an extension to the Small Business Rate Relief from 50% to 100% for a further year as well as introducing a new £1,000 discount for small business with a rateable value below £50,000. The cost of these reliefs to the Council will be met fully by the Government through section 31 grants.
- 4.11** One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Department for Communities and Local Government. The NNDR1 return was submitted to the Department of Communities and Local Government (DCLG) by the deadline of 31<sup>st</sup> January 2014 and the budget is based on the figures within that return.
- 4.12** The Chief Finance Officers have reviewed the viability of the Pool for 2014/15 and are recommending that the Pool continues in its current form. However, the viability of the Pool can only be determined once all of the estimated business rates returns have been completed by all of the participating authorities (i.e. all Gloucestershire district councils). A decision to dissolve the Pool would have been statutorily required by 15<sup>th</sup> January 2014 (i.e. before the final guidance notes and returns were available from central government). Given the Government's statement that local authorities will be fully compensated for the impacts of the announcements in the Autumn Statement, the Chief Finance Officers took a pragmatic view to continue with the Pool in 2014/15, in line with the recommendation made to Leaders and Chief Executives in the autumn.
- 4.13** The budget for 2014/15 includes the following key data from the business rates estimates for 2014/15 (NNDR1):
- Business Rates retained from Business Rates Retention (NNDR1 estimate) £21,606,794;
  - Individual Authority Business Rate Baseline (DCLG) £21,257,062;
  - Tariff to the Government £18,726,467;
  - Government Baseline Funding Level for this Council £2,530,595;
  - Safety Net Threshold £2,340,800;
  - Estimated business rates in excess of Baseline Funding Level £349,732;
  - Estimated levy to the Government £174,866;
  - Estimated retained business rate growth £174,866 (making total rates income £2,705,461);
  - Retained 'Section 31' grants after levy £624,293
  - Total including 'Section 31' grants £3,329,754
  - Additional 'income' above baseline funding £799,159
- 4.14** The move to local business rates retention appears to be a positive one, but local authorities have faced a series of obstacles in trying to make it a success. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, although it is nearly a year since business rates retention was introduced and the rules are still changing. Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates.
- 4.15** Given the volatility surrounding business rates and the risk of a deficit in future years (due to the number of appeals still outstanding), the Cabinet is minded not to assume that all this additional income should be built into baseline funding. Section 8 proposes to set aside some of this additional income into earmarked reserves



## Localised Council Tax Support (LCTS)

- 4.16** The Council was required to establish a local scheme for Local Support for Council Tax to come into effect from 1st April 2013, replacing the national Council Tax Benefit Scheme. For 2013/14, the Council adopted the existing national scheme as its local scheme. The cost of the local scheme was, therefore, expected to be broadly in line with the costs of the previous Council Tax Benefit Scheme. The Government cut its funding for the Council Tax Support Scheme by 10% with effect from 2013/14. The Council absorbed this cut in funding for 2013/14, with a view to reviewing the scheme for 2014/15.
- 4.17** 2013/14 was the first year the Government did not fully fund the scheme. Locally, the councils in Gloucestershire agreed not to make any changes to the scheme but, in line with other councils in the county, agreed changes to the council tax empty property exemptions and second homes discounts to help offset the approximate 10% shortfall in funding. Indications are that the additional revenue generated has offset the fall in funding for LCTS.
- 4.18** Following consideration by the Section 151 officers across the county, it was recommended that no changes would be made to the scheme for 2014/15 in order to avoid the potential for a significant number of claimants receiving small bills which may be difficult to recover. On 17th September 2013 Cabinet resolved that the Local Council Tax Support scheme (LCTS) remain unchanged for 2014/15, other than the annual uprating of premiums, allowances and non-dependant deductions and that a short public consultation should take place on the Council's website. The Council consulted on this basis but there was, not surprisingly, no response to this consultation. Consequently it is proposed to keep the LCTS scheme unchanged for 2014/15.

## Parish Council Support Grant

- 4.19** The local Council Tax Support scheme operates in a similar way to discounts, such as for empty properties or single person occupiers. Rather than being accounted for as a benefit cash payment, the Council Tax base is reduced. Whilst this has no impact for the individual Council Tax payer, a lower Council Tax base reduces the yield in Council Tax to this Council, Gloucestershire County Council, Gloucestershire Police Authority and Town and Parish Councils. To offset this impact, the Government pays a cash grant to all local authorities. The element of grant attributable to Town and Parish Councils is paid to the billing authority (i.e. this Council). It is for each billing authority to agree with its Town and Parish Councils any mechanism for paying over a share of the overall grant paid to the billing authority.
- 4.20** For 2013/14, the value of grant awarded to the 5 Parish Councils for LCTS was £10,269. Funding for Local Council Tax Support has been "rolled" in to the Revenue Support Grant and the Retained Business Rates Baseline Funding Position. As Government funding reduces, the Council will be under pressure to reduce the funding available for Local Council Tax Support available to Town and Parish Councils. However, in order to give Parish Councils a degree of financial stability and give them the assurance they need to set their own precepts, it is not proposed to pass on any reductions in 2014/15.

## 5. Unavoidable budget pressures

- 5.1** In addition to funding pressures from cuts to Government funding, the Council is also facing costs pressure from the triennial valuation of the Gloucestershire Local Government Pension Scheme. The Council needs to make provision for growth in contributions to the Pension Fund of £406,000 for each of the next three years. This is largely due to the value of gilts determining the value of future liabilities to the Pension Scheme, increased costs associated with increasing life expectancy rates and predicted returns on pension fund assets.
- 5.2** Workplace pensions' law has changed. Every employer now has new legal duties to help their workers in the UK save for retirement. Employers must automatically enrol certain workers into a

qualifying workplace Pension Scheme and make contributions towards it. Whilst it is difficult to accurately determine the financial impact of pensions auto-enrolment, there will be increased costs to the Council. Provision of £100,000 has been made in the budget for 2014/15.

- 5.3** The creation of the single tier state pension, and the end of contracting out of the second state pension, will negatively impact on employers providing defined benefit pension schemes (such as the Local Government Pensions Scheme). Currently, providing that such Pension Schemes meet statutory requirements, employers pay a reduced National Insurance (NI) contribution - the reduction is 3.4%. The introduction of the single tier pension will have the effect of increasing an employer's NI contributions by the amount the current reduction - 3.4%. Provision of £300,000 for increased employer NI contributions with effect from 2016/17 has been included within the MTFS.

## **6. The Cabinet's general approach to the 2014/15 budget**

- 6.1** The Cabinet's budget strategy for 2014/15, approved at a meeting on 15<sup>th</sup> October 2013, included an estimate of £0.989m for the 2014/15 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 13.6% cut in government support.
- 6.2** The final assessment of the budget gap for 2014/15, based on the detailed budget preparation undertaken over recent months, and the assumed financial settlement, was £1.409m which takes into account the following variations:
- Freeze car parking charges £93.6k
  - Increased superannuation costs in respect of the 2013 triennial revaluation £206k
  - Council Tax freeze in 2014/15
- 6.3** For the past three years the Council has frozen its council tax precept at £187.12 a year for a Band D taxpayer. In proposing this course of action, the Cabinet has borne in mind the difficult economic and financial climate that many of our residents face. However, during the period of the freeze our own financial position as a Council has deteriorated sharply, and the Cabinet has been acutely aware of the difficulty of continuing the freeze in 2014/15.
- 6.4** The Budget Strategy and Process report, approved by Cabinet in October 2013, highlighted the specific difficulties of continuing the freeze in 2014/15. Currently the Government is offering councils roughly half the cost of freezing council tax in 2014/15, when compared with increasing council tax by 2%.
- 6.5** However, three developments have made it easier for Cabinet to recommend a council tax freeze for the fourth year running. The first is that we have succeeded in identifying sufficient savings and additional income to make it affordable in the first two years. The second is that the Government has withdrawn its proposal to top-slice our New Homes Bonus income from 2015 to fund economic development initiatives, adding to our forecast income and making a further year's freeze sustainable. The third is that the Government has now stated that the grant will be rolled into the spending review baseline and has therefore committed to the funding being available for future years.
- 6.6** The continuation of the council tax freeze in 2014/15 will avoid adding to the financial burden of residents, many of whom are still facing difficult financial circumstances. It is particularly gratifying that, under this budget, this can be achieved without cutting frontline services and without introducing above inflation increases in fees and charges.
- 6.7** The Government introduced legislation through the Localism Act to require councils proposing what it regards as an excessive rise in Council Tax to hold a local referendum allowing the public to veto the rise. Clearly as the Cabinet is minded to propose a 0% increase in council tax for

2014/15, this requirement does not arise.

**6.8** In preparing the final budget proposals, the Cabinet and officers have:

- Prepared a standstill budget projection under a general philosophy of no growth in levels of service with the exception that it is a statutory requirement or there is a compelling business case for an 'invest to save' scheme. The full list of proposals for growth, including one off initiatives, is included in Appendix 4.
- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
- Budgeted for pay inflation at 1% for 2014/15.
- Increased income budgets assuming an average increase in fees and charges of 2.5%, with some exceptions. Property rents have not been inflated but are now set in line with rent projections based on property leases. The Cabinet proposes to freeze car park charges, except for councillors' parking passes which will rise by inflation, and building control charges. The costs have been shown as growth within the interim budget proposals.
- Green waste charges have been frozen since their introduction in 2011. It is proposed to increase these charges by £1 to £37 per annum which will ensure the scheme remains cost neutral to the council taxpayer. Those residents taking advantage of the discount for prompt renewal will pay just £35.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

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

- Do everything possible to protect frontline services
- Identify savings that can be achieved through reorganisation of service delivery or raising additional income rather than through service cuts

**6.10** Once again, there has been a great deal of activity during the course of the year to develop this longer term strategy for closing the funding gap. The Cabinet has worked with officers to develop the 'Bridging the Gap (BtG)' programme using the BtG group supported by the Senior Leadership Team. The Cabinet's interim budget proposals for closing the budget gap in 2014/15, the result of this work, are detailed in Appendix 4, split into:

- Decisions already made by Council totalling £11k.
- Proposals yet to be agreed by Council which are not built into the base budget, totalling £1,398,200. They comprise £748,200 of efficiency savings and additional income; an additional contribution from New Homes Bonus (NHB) of £450k to support the base budget; and a reduction of £200k in revenue contributions to fund capital expenditure given the Council's healthy balance in capital receipts from the sale of assets.

**6.11** The Bridging the Gap programme and the commissioning process have also helped the Council to move towards a robust five-year strategy for closing the funding gap. The work done on leisure and culture services, ICT services, management restructuring and accommodation strategy, as well as a number of smaller pieces of work, give the Council the opportunity to think ahead over a period of several years, rather than planning its budgets a year at a time.

- 6.12** The Council has been actively reviewing its accommodation following changes in staffing numbers resulting from the commissioning programme. The Municipal Offices are now too big and no longer well suited to their purpose as offices. At around £700k per annum to occupy and maintain, they cannot be sustained in a period of significant reduction in government funding at the expense of frontline services. For these reasons, officers are looking at how the Council can reduce further its accommodation needs and will bring a report to Cabinet in March 2014 revising the accommodation brief which supports the ongoing search for an alternative office location.
- 6.13** This budget proposes to make fuller use of the New Homes Bonus to support the revenue budget. This reflects the Government's view that the New Homes Bonus is part of local authorities' income stream, and not simply a "nice to have" extra. However we are well aware that the New Homes Bonus may in future years be a fluctuating source of income. Accordingly we have limited the amount of New Homes Bonus income being directly taken into the revenue budget to a total of £700k, which is 64% of the total expected income in 2014/15 of £1.030m. It is proposed that the remainder should be earmarked for one off or time-limited spending or kept in reserve.
- 6.14** The proposed one off uses of New Homes Bonus income include: £50k to support the well-liked and very effective Community Pride scheme; £200k to support the Planned Maintenance Reserve; and £50k to support the Mitigation fund for Cheltenham Transport Plan.
- 6.15** The Cabinet and SLT have been anticipating the need to make significant savings and have been actively managing vacancies and staffing levels in order to minimise the impact of service reviews, systems thinking and savings initiatives.
- 6.16** Since the interim budget was published, a number of changes have been made to the budget as a result of further work, and taking into account the consultation. They are documented in the supporting appendices to the report and are summarised as follows:

<b>Summary of changes to Interim Budget proposals 2014/15 – Revenue items</b>	<b>£</b>
Additional 'baseline funding' as per final local government settlement for 2014/15 announced on 5 <sup>th</sup> February 2014	(3,249)
Estimated retained business rates growth based on NNDR1	(174,866)
Estimated retained Section 31 grants after levy based on NNDR1	(624,293)
Deferral of Revenues and Benefits service review to 2014/15	100,000
Reduced saving from Customer Services restructure	15,700
Contingency provision for Pensions' auto-enrolment	100,000
Transfer to BRR earmarked reserve to cover future deficits on NNDR collection fund	350,000
Transfer to Car Park equalisation reserve to cover temporary shortfall	255,400
Net changes in Ubico contract sum for 2014/15	(21,500)
Annual maintenance and software licence costs for Town Centre footfall cameras	1,500
Increased contribution to General Balances	1,308
<b>Net Effect</b>	<b>-</b>

## **7. Treasury Management**

- 7.1** Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective. However, the budget has been prepared taking into account the following changes, agreed by the Treasury Management Panel at its meeting on 27<sup>th</sup> November 2013.
- 7.2** The Bank of England has said that interest rates will remain low through 2014/15, indicating that the Bank Rate will remain at its historic low until 2016, although current positive data on unemployment and inflation could mean an earlier increase. With this in mind, for 2014/15 interest payable will reduce by £5,000 and interest receivable will increase slightly by £100. As a result, the net impact on 2014/15 budget is an increase in net treasury income of £5,100.
- 7.3** The Council has sold its claims against the insolvent estate of Landsbanki Islands. The claims were sold through a competitive auction process on the 30<sup>th</sup> January 2014, together with a number of other councils' claims. The price at which the claims were sold was based on a reserve price set by the Council on the basis of legal advice received from Bevan Brittan, financial advice procured by the LGA and the Council's own analysis of the financial position. The proceeds of the sale, £2.038m, were paid in Pounds Sterling and those funds have already been received. The sale means that the Council has recovered 91% of the amounts that were originally deposited with Landsbanki in 2006 (£5m). The sale of our claims represents a clean break and we are now no longer a creditor of Landsbanki.
- 7.4** Of the original £11m deposited with Icelandic banks the Council has now received £9.88m and still expects further distributions in relation to monies held by the administrators dealing with Kaupthing, Singer & Friedlander and Glitnir deposits.

## **8. Reserves**

- 8.1** Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides".
- 8.2** A number of the savings proposed arise from organisational changes and require one-off sums to cover the costs of redundancy and early retirement. In order to keep general balances within the recommended range of £1.5m - £2.0m it is proposed to fund these costs from the Pension Reserve in 2014/15.
- 8.3** An assessment of the Civic Pride Reserve projects that this reserve will be wholly consumed by 31<sup>st</sup> March 2015. Given the Council's aspiration to deliver the Cheltenham Transport Plan and its accommodation strategy, it is proposed to realign the balances held in the IBS License Reserve and Vehicle Leasing Equalisation Reserve, totalling £265k. This will give continuity to the Cheltenham Development Task Force up to the financial year ending 31<sup>st</sup> March 2017.
- 8.4** The Council currently holds 2 reserves which are used to fund capital expenditure; namely a 'housing' capital reserve and a 'general' capital reserve. Given the significant capital resources now held within the Housing Revenue Account, it is proposed that these reserves be merged into one 'general fund' capital reserve in order to give more transparency over how the Council funds its General Fund Capital Programme.
- 8.5** The Council is currently in the process of creating an independent Leisure and Cultural Trust which will deliver some of the borough's 'flagship' services from October 2014. In order to give the new Trust some assurances in its infancy, the Cabinet proposes to create an earmarked reserve to cover any potential deficits in the early years of trading. The Cabinet proposes that a reserve of £200,000 should be held by the Council and that this reserve be funded from the projected 2013/14 budget saving.

- 8.6** The Council has now disposed of its interest in North Place and Portland Street car parks in return for a significant capital receipt. Whilst this is a welcome boost to the economy, it is acknowledged that the Council will have a temporary shortfall in its net car parking revenue until the new facility is completed. In order to protect the Council from this volatility, the Cabinet proposes to create an earmark equalisation reserve to cushion the impact of fluctuating income levels. The Cabinet proposes that a reserve of £350,000 should be held (which equates to the rental income the Council will receive when the new facility is created on North Place); £94,600 to be funded from the projected 2013/14 budget saving with the remaining £255,400 to be funded from the additional income projected from retained business rates in 2014/15.
- 8.7** As detailed above, under the new regime, around 45% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. Given the volatility of this area the Cabinet proposes to create a new earmarked reserve of £350,000 to cover any deficits that may arise in the future through additional successful appeals or empty business properties; to be funded from the additional income projected from retained business rates in 2014/15.
- 8.8** A projection of the level of reserves to be held at 31st March 2014 and 31st March 2015 respectively is detailed in Appendix 6.

## **9. Capital Programme**

- 9.1** The proposed capital programme for the period 2013/14 to 2017/18 is at Appendix 7.
- 9.2** The programme includes provisional sums for infrastructure investment to be funded from the Civic Pride reserve and investment in new build to be delivered through Cheltenham Borough Homes. It also includes the next phase of the ICT Infrastructure Upgrade strategy, agreed by Cabinet on 11<sup>th</sup> December 2012.
- 9.3** The cremators at Cheltenham Crematorium were recently replaced together with the installation of a mercury abatement system supplied by Crawford's Equipment Europe Ltd following a tender process. During installation and commissioning of the cremators, a number of issues regarding the quality of the equipment supplied arose which were being managed in conjunction with the contractor and the Council's project team. However, in July 2013 Crawford's entered into Voluntary Liquidation and thus were no longer in a position to continue working with the Council in dealing with the issues and completing the commissioning of the equipment. Since then remedial interim repairs have been undertaken by specialist contractors to keep the cremators operational whilst work has been done to understand what is required to resolve the situation long term.
- 9.4** Two independent specialist reports were commissioned to review the equipment and installation, and to recommend any necessary works required to keep the cremators fully operational, to comply with environmental regulations and meet Health & Safety standards. The reports highlighted some emergency issues that need to be addressed.
- 9.5** This has resulted in urgent additional budgetary provision in the current financial year being required to ensure these requirements are met. Firstly, £52k is required to purchase additional items for the cremator and abatement control system; this system enables reports to be provided to regulators in line with the requirements of the council's permit to cremate.
- 9.6** Secondly, £110k is necessary to perform works to the flues and the hydraulics to the cremator doors. These works are for Health & Safety reasons to reduce the risk of fire from the existing flues and from door failure and to protect staff.
- 9.7** In the longer term, more consideration is being given to the operational issues facing the

crematorium, including the mercury abatement system. A report will be presented to members at a later date on long term options which may include replacement of the cremators, the financing of which would form part of the capital strategy and asset management plan to be considered by the Cabinet / Council.

- 9.8** Following the conclusion of the sale of North Place & Portland Street Car Parks, there is now a need to further improve the offering at Town Centre East Car Park given the anticipated increased usage. It is therefore recommended that capital budget of £140,600 already set aside for “greening” and improving the car park’s sustainability be diverted to improving the signage and decoration of the car park.
- 9.9** In line with the council decision on 22<sup>nd</sup> February 2013, the Cabinet has set aside (ring fenced) £600,000 of the unapplied capital receipts from the sale of Midwinter allotments towards funding potential future allotments. Reports will come forward in due course to allocate this sum to specific schemes.
- 9.10** The sale of North Place and Portland Street car parks has released a substantial capital receipt. A list of potential infrastructure investment projects across the town is being developed for approval by the Council, aimed at achieving our aspirations for a vibrant, beautiful and prosperous town. This could include funding for the Town Hall capital investment scheme, reported to the Cabinet in July 2013.
- 9.11** The costs for the redevelopment of the Art Gallery and Museum (The Wilson) are being finalised but have risen due to delays in the project. Whilst fundraising is still ongoing, at this stage there is a funding shortfall and the amount required to be underwritten by the Council exceeds the amount approved on 11<sup>th</sup> February 2011 by £360,000. For this reason, the Capital Programme includes a provision for the amount of the additional underwriting required, which may reduce as fundraising is achieved. A separate report to Council deals more fully with this.

## **10. Property Maintenance Programmes**

- 10.1** The budget proposals include a revenue contribution of £700k to planned maintenance together with a £200k contribution from New Homes Bonus, which will be enough to fund a very substantial programme. The planned maintenance programme was reviewed by the Asset Management Working Group on the 5<sup>th</sup> December 2013 and their recommendations are attached at Appendix 8 for approval.

## **11. Pay Policy Statement**

- 11.1** Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority’s policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff. This requirement is incorporated within the “Draft Local Authorities (Data Transparency) Code 2013” which has recently been issued by the Secretary of State for Communities and Local Government. The Secretary of State wants to ensure that key information in the Code is published by all local authorities and that authorities do so in a timely manner. Therefore, he is proposing to make regulations under section 3 of the Local Government, Planning and Land Act 1980 to make it a legal requirement to publish data in accordance with Part 2 of the Code. The Code sets out details of information which local authorities will be required to be publish on a quarterly basis and details of information which local authorities will be required to publish on an annual basis.
- 11.2** The Pay Policy attached at Appendix 9 includes the following key requirements of the Localism Act 2011:
- policy on pay for each of the ‘in scope’ Officers;

- policy on the relationship between Chief Officers and other Officers;
- policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency

### **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 **18<sup>th</sup> December 2013 to 24<sup>th</sup> January 2014**. 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, Parish Councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed.

13.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 7th January 2014 and made recommendations to the Overview and Scrutiny Committee on 9th January 2014 and these comments have been fed back to the Cabinet.

13.3 A summary of the budget consultation responses and the Cabinet's response to them in arriving at the final budget proposals, are contained in Appendix 10. A copy of the detailed responses is available in the Members' 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 2014/15 to be met from the General Reserve, the same level as in 2013/14.

### **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 also 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 has 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 savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from delivery of services to delivery of savings. 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 interim budget proposals, if approved by full Council, will be monitored by the BtG group.

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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Section 151 Officer budget assessment</li> <li>3. Summary net budget requirement</li> <li>4. Growth</li> <li>5. Savings / additional income</li> <li>6. Projection of reserves</li> <li>7. Capital programme</li> <li>8. Planned Maintenance programme</li> <li>9. Pay Policy Statement</li> <li>10. Summary of budget consultation and Cabinet response</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. MTFS 2012/13 – 2017/18</li> <li>2. Budget Monitoring Report 2013/14 – position as at November 2013 (Cabinet 14<sup>th</sup> January 2014)</li> </ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
1.01	If the council is unable to come up with long term solutions which bridge the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Mark Sheldon	15 December 2010	4	4	16	R	The Cabinet have developed a budget strategy which identifies longer term savings targets for closing the MTFS funding gap including targets for commissioning projects based on approved business cases.	ongoing	Director of Corporate Resources	26 January 2011
1.02	If the robustness of the income proposals are not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	Mark Sheldon	15 December 2010	3	3	9	R	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets which are monitored throughout the year and reported through the budget monitoring reports to cabinet.	ongoing	Director of Corporate Resources	
1.03	If when developing a longer term strategy to meet the MTFS, the council does not make the public aware of its financial position and clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction	Jane Griffiths	15 December 2010	3	3	9	R	As part of the delivery of the BtG / commissioning programmes there needs to be a clear communication strategy. In adopting a commissioning culture the council is basing decisions on customer outcomes which should address satisfaction	ongoing	Communications team to support the BTG programme	

	may decrease.							levels.			
1.04	If there is a reliance on shared services delivering savings and these savings do not materialise or shared service projects do not proceed as anticipated then other savings will need to be found to meet the MTFS projections.	Pat Pratley	15 December 2010	3	3	9	R	All shared services are operated under prince 2 principles, with clear business case and risk logs are maintained for the shared service. Savings / Benefit realisation are reviewed via the BTG and corporate plan monitoring	Ongoing	Deputy Chief Executive	
1.05	If the council does not carefully manage its commissioning of services then it may not have the flexibility to make additional savings required by the MTFS in future years and a greater burden of savings may fall on the retained organisation	Mark Sheldon	15 December 2010	3	3	9	R	Contracts, SLAs and other shared service agreements will need to be drafted and negotiated to ensure that there is sufficient flexibility with regards to budget requirements	Ongoing	Director Commissioning	
1.06	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.	Mark Sheldon	13 December 2012	4	3	12	R	Work with GOSS and county wide CFO's to monitor changes to local government financing regime and adjust future budgets for any significant variances.	Ongoing	Director of Corporate Resources	

## 2014/15 BUDGET ASSESSMENT

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 to using more of the New Homes bonus receipts to support the base revenue budget is prudent.
- The medium term financial planning assumptions, including future cuts in government support, are prudent and the continued development and revision of the budget strategy for closing the projected budget gap is providing a planned and measured approach to meeting future financial challenges.
- The approach to financing maintenance is an acceptable response to the financial squeeze. Looking ahead, the need to model and prioritise future investment aspirations, in view of the sale of North Place, is now critical.
- The level of reserves, including the General Reserve, is satisfactory.

### Overall conclusion

***My overall view is that the budget is a sound response to continuing challenging financial circumstances, which maintains services as far as possible, maximises efficiencies and responds to anticipated future financial challenges.***

**In line with statutory duties, Members are asked to consider the advice provided in this report, based upon my assessment of the robustness of the overall budget and estimates in the medium term financial projections.**

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
<p><b>1. Robustness of the estimates</b></p> <p><b>Inflation – do supplies and services budgets allow sufficient for inflation?</b></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 the additional cost of elections postage 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><b>Employee costs i.e. pay / turnover targets / pension costs – are budgets sufficient?</b></p>	<p>1.3 Employee budgets for 2014/15 allow for a pay award of 1% plus 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£450,000.</p> <p>1.5 In line with the Chancellors autumn statement the medium term financial projections allow for pay awards for 1% for</p>	<p>Whilst there is a government view that pay awards should be capped at 1%, there is uncertainty over the pay award</p> <p>Given the impact of the recession and commissioning of services, there may be less staff turnover may be reduced or more difficult to realise.</p> <p>Given inflationary pressure and prolonged period of pay freeze there may be upward</p>	<p>Fund any additional budget in 2014/15 from the General Reserve and build into base budget for 2015/16.</p> <p>Based on previous year's experience this has been achieved but will be monitored. The expectation of partner organisations is being clarified.</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 2014/15 and is planning for potential future increases in pay and pension fund costs in the MTFS based on the most up to date information available.</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
	<p>2014/15 and 2015/16 and 2% thereafter.</p> <p>1.6 The budget for 2014/15 provides for the increase in pension contribution rates following the triennial revaluation (which indicates an increased deficit on the fund due to worsening market conditions) and the medium term financial projections allow for further annual increases in contribution rates based on the actuaries view about the longer term position of Cheltenham's pension fund.</p>	<p>pressure on pay above 2%</p> <p>Future uncertainty in the economy / fund performance and lack of clarity over the full impact of pension changes and local commissioning may increase pension fund deficits.</p>	<p>Budgeting assumptions follow actuarial advice. Additional work is being undertaken to model the impact of commissioning decisions on the pension fund and saving assumptions are being reviewed.</p>	
<p><b>Treasury Management – are budgeting assumptions prudent and the approach to treasury management risk tolerable?</b></p>	<p>1.7 Despite historic significant investment returns, the treasury management budgets are based on sustained low interest rates and no increase is factored into the MTFs.</p> <p>1.8 The budget assumes a reduced level of 'write off' of assumed loss of Icelandic bank deposits following the Icelandic supreme court decision confirming priority status for local authorities. The budget has yet to be adjusted to account for the impact of the auction of the Landsbanki claim on 30/1/14.</p> <p>1.9 The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its Policy and Strategy statements annually. The</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</p>	<p>The Council has reduced it's reliance on investment interest to support the net budget and in turn reduced the risk and impact of the volatility of interest rates on the budget.</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</p>	<p>I am satisfied that, given the prevailing low interest rates, the budgeting assumptions for investment interest and projected returns for the remaining 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>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. The 2014/15 policy, supported by the TM panel, proposes lending to –AA or higher rated foreign banks, which are in AAA rated sovereign countries.</p> <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.</p>	<p>institutions, there may be a risk to future deposits.</p> <p>Borrowing limits could be exceeded</p>	<p>money. Following the banking crisis, treasury advisors, Sector, continue to advise the Council and TMP on policy.</p> <p>Prudential indicators are monitored and reported to TMP/ council</p>	
<p><b>Income, Charging and Demand - are estimates at realistic and sustainable levels?</b></p>	<p>1.11 The Council provides a number of demand led services e.g. car parking, building control charges, town hall, leisure@ etc. The estimates for 2014/15 have been prepared on the advice of officers who have taken a professional view on income levels, based on their opinion about the local economic conditions.</p> <p>The budgets for 2014/15 assume no reduction in income targets following the sale of North Place / Portland Street ahead of the reconstruction of the car park at North Place which will return a guaranteed future income stream to the council of £350k per annum, on the basis that cars may be displayed into other CBC car parks where there is spare capacity.</p> <p>1.12 No assumptions have been made in the medium term financial projections in</p>	<p>Existing income levels may not be sustainable.</p> <p>Inflationary</p>	<p>Building control income targets have been reduced by £20k in 2014/15. Regular monitoring / reporting to Cabinet on significant variances in income.</p> <p>A reserve of £94.6k will be created from a potential 2013/14 underspend and a further £255k from the 2014/15 revenue budget to mitigate against a potential reduction in overall in car parking income.</p> <p>Keep MTFs assumptions under</p>	<p><b>TP</b> Overall, I am satisfied that the estimates for income are based upon reasonable assumptions which take into account the prevailing economic conditions, mitigate against potential future shortfalls in income and that effective monitoring arrangements are in place.</p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
	<p>respect of improving income levels, although it assumes inflationary increases in some 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>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>review and feed into BtG programme.</p> <p>Changes to fees and charges are not restricted to annual budget setting. The scheme of delegation allows for in year changes to be made.</p>	
<p><b>Government support – are the assumptions prudent?</b></p>	<p>1.14 The estimates for 2014/15 and for 2015/16 are based on the financial settlement notified by the Department for Communities and Local Government (DCLG) in December 2013.</p> <p>1.15 The medium term financial projections assume a standstill level of government support beyond 2015/16 plus a continuance of the council tax freeze grant support.</p> <p>1.16 The budget for 2014/15 includes assumptions for business rates based on estimates of collection / refunds, assumed government grant and levy rates. The medium term financial projections make no provision for the impact of future changes in the mechanism for operating local business rates retention but establish a reserve to mitigate against fluctuations.</p> <p>1.17 The budget assumes an increased use of New Homes Bonus (NHB) to £700k / yr is used to support the revenue budget, based on NHB income receipts over the</p>	<p>There may be further government funding cuts beyond 2015/16</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 or the</p>	<p>Section 151 Officer monitors relevant government policy and uses other councils to compare budgeting assumptions which may need to be reflected in future MTFs projections.</p> <p>A county wide pooling arrangement has been agreed to help mitigate risk.</p> <p>Assumptions are based on a prudent view of potential levels of NHB and</p>	<p><b>Despite the uncertainty over future government funding, I am comfortable that the council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and New Homes Bonus receipts.</b></p>



Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
<p>2. Medium Term Financial Strategy (MTFS) and strategy for 'Bridging the Gap (BtG) – are the assumptions reasonable?</p> <p><b>NB: Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme.</b></p>	<p>period of the MTFS as a result of additional numbers already delivered.</p> <p>2.1 The 2014/15 budget includes medium terms financial projections and funding gap over the next 3 years.</p> <p>2.2 The 2014/15 budget outlines the strategy for closing the funding gap which includes estimates savings / additional income from the 'BtG' programme e.g. shared services / partnerships, the creation Leisure and Culture Trust and the accommodation strategy. The projections indicate that there may still be an unresolved gap of c£1.239m.</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>3.1 The final budget proposals assume a council tax freeze for 2014/15 in line with the Government's aspiration. This will cost the Council c£73k in lost income based on the original planned council tax increase of since 1% of the original planed 2% increase is partially offset by a government grant of £73k (1%) annually. The funding shortfall is being offset by savings / other</p>	<p>govt reconsider future top slicing.</p> <p>Actual projections may vary from predictions.</p> <p>Lack of forward planning for cuts could result in salami slicing of budgets.</p> <p>Projects may not deliver savings as planned and unplanned cuts may have to be made.</p> <p>If opportunities to avoid redundancy costs are not managed, the General Reserve is placed under pressure.</p> <p>The limited government support increases pressure on the funding gap in 2014/15 and over the period of the MTFS.</p>	<p>level of usage (64%) compared with neighbouring councils.</p> <p>Annual reviews of MTFS projections approved by council.</p> <p>The 'BtG' programme monitors the financial projections / 'BtG' work streams. There are still outstanding workstreams to be included which may close the gap.</p> <p>The level of the General Reserve is held at an appropriate level to provide a reasonable level of assurance.</p> <p>The 'BtG' programme plans for future funding gaps.</p>	<p>The council's approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap.</p>
<p>3. Proposed level of council tax increase – is it a reasonable?</p> <p><b>NB: In setting the level of council tax, Members need to be mindful of the impact of the decision on the MTFS</b></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><i>and future funding gaps.</i></p>	<p>income.</p> <p>3.2 The medium term financial projections models future council tax increases at 2% per annum from 2015/16 onwards.</p>	<p>The governments aspiration is for a council tax freeze in 2015/16</p>	<p>The proposed freeze avoids requirement for a referendum (cost c£50k) for council tax increases over government cap of 2%.</p>	
<p><b>4. Is the approach to financing the maintenance programme and the Asset Management Plan (AMP) sound?</b></p>	<p>4.1 The Council has £700k built into the base revenue budget to fund the annual maintenance budget of the property portfolio with £200k funding top up from the New Homes Bonus rather than the revenue budget. Work is underway to update the estimates of the annual budget requirement to reflect the council's asset management strategy.</p> <p>4.2 The Council's AMP outlines the strategy for its assets. Now that the sale of North Place has concluded and the capital receipt received, the council can plan with certainty how it can spend and fund the aspirations for the Council's property portfolio. The updated Asset Management Plan and Capital strategy, including capital and revenue implications / funding options is being developed, but has yet to be agreed by council.</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 Due to the significant number of factors</p>	<p>There may be insufficient annual budget to fund maintenance programmes if new homes bonus does not materialise or reduced.</p> <p>The receipt from the sale of North Place / Portland Street could be used in an ad hoc manner.</p>	<p>The maintenance programme is reviewed annually by the Asset Management Working Party (AMWP) and the funding strategy for the programme was supported by the Budget Scrutiny working Group.</p> <p>Council will need to agree an allocation of existing resources / future capital receipts/ potential prudential borrowing to support its priorities.</p>	<p>The assumptions for financing the capital programme and the planned maintenance programme in the 2014/15 budget are reasonable. In moving forward, the Council must continue to ensure that it maximises the use of / minimises the cost of its asset portfolio.</p>
<p><b>5. Are the councils Reserves at reasonable levels?</b></p> <p><b>NB: The requirement for financial reserves is acknowledged in statute. Section 32 and 43 of the Local</b></p>		<p>Reserve levels may not be sufficient.</p>	<p>These are reviewed on a regular basis and in the process of finalising the budget proposals.</p> <p>2014/15 projections</p>	<p><b>Overall, I am satisfied that the projected levels of reserves, including the level of the General Reserve, are adequate for the</b></p>

Area of risk	Council's approach	Potential Risks	Mitigation	Section 151 Officer assessment
<p><b>Government Finance Act 1992</b> requires billing authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.</p> <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>impacting of local government finances, the council's MTFs, which provides a longer term projection of reserves over the next 5 years, has yet to be updated.</p> <p>5.3 The planned maintenance reserve is to be supported by New Homes Bonus funding 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 (GR) at approximately 10% of net operating expenditure, or a level between £1.5m and £2m. This remains my advice. 2014/15 budget proposals maintain the General Reserve at c£1.7m</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 uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure per the MTFs without drawing on the General Reserve.</p>	<p>Uncertainty over NHB may result in 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 may reduce it below the tolerance level.</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>indicate trajectory of reserve levels. The MTFs including longer term reserve projections will be updated in September 2014 as part of the budget strategy.</p> <p>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. 2014/15 budget proposals include some re-alignment</p> <p>Annual S151 Officer budget assessment</p>	<p>forthcoming year.</p> <p><b>I am satisfied that the proposed budget is balanced and meets the legal requirement to set a balanced budget.</b></p>
<p><b>6. Is the budget balanced?</b></p> <p>There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget</p>				

## NET GENERAL FUND BUDGET 2014/15

<b>GROUP</b>	<b>2013/14 ORIGINAL</b>	<b>2013/14 CURRENT</b>	<b>2014/15 ORIGINAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Projected cost of 'standstill' level of service</b>			
Commissioning	5,468,100	6,346,700	5,126,900
Built Environment	3,095,900	3,225,050	2,518,410
Wellbeing & Culture	4,619,250	4,576,050	4,031,500
Resources	2,781,800	3,383,450	3,658,665
Strategic Directors	455,150	424,950	383,050
Programmed Maintenance (Revenue)			949,000
Pensions auto-enrolment provision			100,000
Savings from vacancies	(480,000)	(175,000)	(450,000)
Bad debt provision	40,000	40,000	40,000
	<b>15,980,200</b>	<b>17,821,200</b>	<b>16,357,525</b>
Capital Charges	(1,970,800)	(1,873,400)	(1,886,400)
Interest and Investment Income	332,900	315,900	327,800
Use of balances and reserves	(583,868)	(1,801,268)	296,447
Proposed Growth recurring - Appendix 4			260,700
Proposed Growth one-off - Appendix 4			300,000
Savings / Additional income identified - Appendix 5			(959,200)
<b>NET BUDGET</b>	<b>13,758,432</b>	<b>14,462,432</b>	<b>14,696,872</b>
<b>Deduct:</b>			
Revenue Support Grant	(3,731,162)	(3,731,162)	(2,920,874)
National Non-Domestic Rate	(2,482,240)	(2,482,240)	(2,705,461)
National Non-Domestic Rates - S31 Grants	0	(255,000)	(624,293)
New Homes Bonus	(250,000)	(699,000)	(1,030,000)
Specific Grant in lieu of council tax freeze 2013/14	(71,902)	(71,902)	0
Specific Grant in lieu of council tax freeze 2014/15	0	0	(73,063)
Council Tax Discount Grant	(21,980)	(21,980)	0
Less: Grant allocated to Parishes (council tax support)	10,269	10,269	10,269
Collection Fund Contribution	(21,200)	(21,200)	(47,200)
	<b>(6,568,215)</b>	<b>(7,272,215)</b>	<b>(7,390,622)</b>
<b>NET SPEND FUNDED BY TAX</b>	<b>7,190,217</b>	<b>7,190,217</b>	<b>7,306,250</b>
<b>Council Tax income assuming increase of 0 %</b>	<b>7,190,217</b>	<b>7,190,217</b>	<b>7,306,250</b>
<b>Funding Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>
Band 'D' Tax	£187.12	£187.12	£187.12
Increase per annum			£0.00
Increase per week			£0.00
% Rise			0.0%
Gross Collectable Tax Base	38,912.10	38,912.10	39,540.10
Collection Rate %	98.75%	98.75%	98.75%
Net tax base	38,425.70	38,425.70	39,045.85
Rounded tax base for calculation purposes	38,425.70	38,425.70	39,045.80

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PROPOSALS FOR GROWTH

APPENDIX 4

Ref	Division	Project Name	Description	Revenue Costs			Capital Costs		
				2014/15 £	2015/16 £	2016/17 £	2014/15 £	2015/16 £	2016/17 £
	<b>SUPPORTED GROWTH (FUNDED FROM CAPITAL RESERVE/RECEIPTS)</b>								
12	Built Environment	Transformational Works St. Pauls Phase 2	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.				200,000		
13	Resources	ICT Server Room Generator	50% of the cost of a generator in the Forest of Dean DC server room to provide business continuity back-up which supports the delivery of a revenue saving as identified in Appendix 5.				25,000		
				-	-	-	<b>225,000</b>	-	-

BRIDGING THE GAP STRATEGY							
	Approved Savings	2013/14	2014/15	2015/16	2016/17	2017/18	Total
MTFS Gap		1,244,800	1,409,200	1,351,896	1,017,751	491,351	4,270,198
<b>Total Current MTFS Funding Deficit</b>		<b>1,244,800</b>	<b>1,409,200</b>	<b>1,351,896</b>	<b>1,017,751</b>	<b>491,351</b>	<b>4,270,198</b>
<b>Organisational changes</b>							
Staff restructures							
- Public Protection		35,000					0
- Parks & Gardens (reduction of p/t post)		10,000					0
- Building Control (offset by inflation on income - see Appendix 3)		9,800					0
- Customer services / facilities management re-organisation			34,300				34,300
Built Environment Management Restructure		52,700	12,100				12,100
Economic Development Restructure		20,000					0
Revenues & Benefits Service Review		88,000					0
Car park retained organisation savings post GCC - car park income collectors		23,000					0
Retained organisation savings post GCC - target		150,000					0
Senior Management Team review			156,400	43,600			200,000
<b>Shared Services</b>							
Establishing Ubico with Cotswold District Council	*	91,700					0
Additional waste target				45,400			45,400
GO shared services							
- staff savings	*	221,800					0
- licensing savings	*	32,600					0
- ICT support and hosting costs	*	(53,200)					0
- procurement savings							
1. Treasury management	*	4,500					0
2. CIPFA Publications	*	1,000					0
3. Audit fee	*	35,000					0
Shared Project Management with Forest of Dean		19,600					0
Shared GIS with Forest of Dean		30,000					0
<b>Commissioning</b>							
L&C Review - AGM savings	*	50,000					0
L&C Review - trust savings		40,000	181,700	262,300	220,700	161,200	825,900
L&C Review - reduction in retained organisation				33,900	33,800		67,700
ICT Review - per business case to Cabinet 11/12/12			121,300	80,000			201,300
ICT Review - server room rationalisation / infrastructure savings			31,000	7,000			38,000
Ubico - admin, staff, transport and property savings			117,000				117,000
Review of Arle Nursery						50,000	50,000
Green Environment			20,000				20,000
Revenues & Benefits Review				130,000			130,000
Public Protection & Private Sector Housing Review				120,000			120,000
Joint Management Unit for Waste						100,000	100,000
<b>Income</b>							
Planning fee income rise 15%		60,000					0
Townscape/Conservation planning advice		5,000					0
Fees & Charges Review inc. concessions				30,000			30,000
<b>Asset Management</b>							
Remove annual increase contribution to Programme Maintenance Reserve		200,000					0
Rationalisation of asset portfolio				30,000		30,000	60,000
Accommodation Strategy					100,000	100,000	200,000
<b>Other</b>							
Supplies & services savings							
1. Corporate training budget	*	2,000	2,000				2,000
2. LGA - reduced membership costs	*	300		300			300
3. Building Control		6,000					0
4. Target saving			10,000	10,000	10,000	10,000	40,000
Additional recharge to HRA / CBH post HRA reform & revision to SLAs		69,000					0
Single Advice Contract tender saving		22,000					0
Reduction in Everyman Grant	*		5,000	5,000			10,000
Reduction in grant to Oakley & Hesters Way Regeneration Partnerships	*	4,000	4,000	4,000			8,000
Community Development - reduction in operational budget		15,000					0
Additional allotment sites	*			5,000			5,000
Reduction in revenue contribution to capital outlay (RCCO)			200,000				200,000
Use of NHB to support Base Budget			450,000				450,000
Cheltenham Borough Homes contribution to Community Development			64,400				64,400
<b>Efficiency savings Target yet to be identified</b>			0	545,396	653,251	40,151	1,238,798
<b>Total Savings/Income over MTFS</b>		<b>1,244,800</b>	<b>1,409,200</b>	<b>1,351,896</b>	<b>1,017,751</b>	<b>491,351</b>	<b>4,270,198</b>
<b>shortfall / (surplus) against MTFS Funding Gap</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Denotes savings previously approved.

NB: traffic lights denote risk associated with delivery





		31/3/13	2013/14 Movement Revenue	2013/14 Proposals to Support 2014/15 Budget	2013/14 Movement Capital	31/3/14	2014/15 Movement Revenue	2014/15 Re-align Reserve	2014/15 Proposals to Support 2014/15 Budget	2014/15 Movement Capital	31/3/15
		£	£	£	£	£	£	£	£	£	£
<b>EARMARKED RESERVES</b>											
<b>Other</b>											
RES002	Pension Reserve	-178,373	-150,000		-328,373	-150,000		274,400		-203,973	
RES003	Economic Development Reserve	-14,200			-14,200					-14,200	
RES004	IBS License Reserve	-148,700			-148,700		148,700			0	
RES005	Keep Cheltenham Tidy Reserve	-626			-626					-626	
RES006	Cultural Development Reserve	-22,361			-22,361					-22,361	
RES007	LABGI Reserve	0			0					0	
RES008	House Survey Reserve	-88,025	-7,500		-95,525	-7,500				-103,025	
RES009	Twinning Reserve	-7,400			-7,400					-7,400	
RES010	Flood Alleviation Reserve	-216,697	82,000		-134,697	50,000				-84,697	
RES011	Art Gallery & Museum Development Reserve	-618,232		618,232	0					0	
RES012	Pump Room Insurance Reserve	-13,735			-13,735					-13,735	
RES013	TIC Shop Reserve	-29			-29					-29	
RES014	GF Insurance Reserve	-79,371			-79,371					-79,371	
RES015	Vehicle Leasing Equalisation Reserve	-116,085			-116,085		116,085			0	
RES016	Joint Core Strategy Reserve	-146,183	21,500		-124,683	55,200				-69,483	
RES018	Civic Pride Reserve	-639,226	188,200		-451,026	115,000				-264,811	
RES019	Land Charges Reserve	-34,400			-34,400					-34,400	
RES021	Cheltenham Leisure & Culture Trust	0		-200,000	-200,000					-200,000	
		<b>-2,323,645</b>			<b>-1,435,213</b>					<b>-1,098,113</b>	
<b>Repairs &amp; Renewals Reserves</b>											
RES201	Commuted Maintenance Reserve	-185,629	39,000		-146,629	39,000				-107,629	
RES202	Highways Insurance Reserve	-15,000			-15,000					-15,000	
RES203	Revs & Benefits IT Reserve	-30,000			-30,000					-30,000	
RES204	I.T. Repairs & Renewals Reserve	-349,965	26,600		-323,365	35,665				-65,935	
RES205	Property Repairs & Renewals Reserve	-555,978	315,250		-240,728	249,000				-23,428	
		<b>-1,136,572</b>			<b>-415,657</b>					<b>-291,992</b>	
<b>Equalisation Reserves</b>											
RES101	Rent Allowances Equalisation	-133,256	62,500		-70,756	64,856				-5,900	
RES102	Planning Appeals Equalisation	-101,232			-101,232					-101,232	
RES103	Licensing Fees Equalisation	-22,555			-22,555	11,400				-11,155	
RES104	Interest Equalisation	-424,012	250,000		-174,012					-174,012	
RES105	Local Plan Equalisation	-127,230	60,000		-67,230	60,000				-7,230	
RES106	Elections Equalisation	0	-61,500		-61,500	61,500				0	
RES107	Car Parking equalisation	0		-94,600	-94,600					-94,600	
RES108	BRR equalisation	0			0					-350,000	
		<b>-808,284</b>			<b>-591,884</b>					<b>-999,528</b>	
<b>Reserves for commitments</b>											
RES301	Carry Forwards Reserve	-1,612,126	1,590,326		-21,800	21,800				0	
<b>CAPITAL</b>											
RES401	Housing Capital Reserve	-902,476			-902,476		902,476			0	
RES402	Capital Reserve - GF	-1,364,674	-570,000	1,290,268	-644,406	-570,000	-902,476	200,000	737,103	-1,179,779	
		<b>-2,267,150</b>			<b>-1,546,882</b>					<b>-1,179,779</b>	
		<b>-8,147,777</b>			<b>-4,011,436</b>					<b>-3,569,412</b>	
<b>TOTAL EARMARKED RESERVES</b>											
<b>GENERAL FUND BALANCE</b>											
B8000 - B8240	General balance - RR	-2,021,123	269,492		-1,751,630	-1,368				-1,752,998	
		<b>-2,021,123</b>			<b>-1,751,630</b>					<b>-1,752,998</b>	
<b>TOTAL GENERAL FUND RESERVES AND BALANCES</b>											
		<b>-10,168,899</b>	<b>2,095,868</b>	<b>-294,600</b>	<b>-5,763,066</b>	<b>34,553</b>	<b>0</b>	<b>-331,000</b>	<b>737,103</b>	<b>-5,322,410</b>	
		<b>31/3/13</b>	<b>Receipts Received</b>	<b>Receipts Applied</b>	<b>31/3/14</b>	<b>Receipts Received</b>	<b>Receipts Applied</b>	<b>31/3/15</b>	<b>Receipts Applied</b>	<b>31/3/15</b>	
B8700 - B8716	General Fund Capital Receipts	-2,447,883	-672,140	1,360,000	-1,760,022	730,000				-1,030,022	



## GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/13	Budget 2013/14	Revised Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18
				£	£	£	£	£	£	£	£
		<b>RESOURCES</b>									
		<b>Property Services</b>									
CAP001	C/R	Programmed Maintenance	New cremators	655,000	627,703		189,300				
		<b>Financial Services</b>									
CAP010	C	GO ERP	Development of ERP system within the GO Partnership	421,700	441,973			14,700			
CAP011	C	Gloucestershire Airport	Contribution towards the redevelopment project - £1.2m loan	1,200,000	1,193,840		6,100				
		<b>ICT</b>									
CAP021	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	27,674		7,600				
CAP025	C	IT Infrastructure	Virtual e-mail appliance licence -setting up of e-mail connection between all GO Partner authorities.				22,000				
CAP026	C	IT Infrastructure	5 year ICT infrastructure strategy			409,500	409,500	241,100	275,600	77,400	62,800
		<b>Revenues</b>									
CAP013	G	Localisation of Business Rates	Software changes required in order to introduce the Localisation of Business Rates as required by legislation and funded by grant	35,000			35,000				
		<b>WELLBEING &amp; CULTURE</b>									
		<b>Parks &amp; Gardens</b>									
CAP101	S	S.106 Play area refurbishment	Developer Contributions			50,000	50,000	50,000	50,000	50,000	50,000
CAP102	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
		<b>Cemetery &amp; Crematorium</b>									
CAP002	C	Burial Chapel	Invest to save scheme to convert burial chapel to handle cremations.	110,000	102,334		7,600				
		<b>Cultural Services</b>									
CAP121	R/P	Art Gallery & Museum Development Scheme	Council's commitment to new scheme as agreed by Council 20th July 2008	6,300,000	4,296,964	899,202	2,363,000				
		<b>Recreation</b>									
CAP111	C	Gym Equipment	To replace worn out equipment and ensure that we retain a successful and competitive publicly accessible fitness provision			211,000	241,000				
CAP112	C	Carbon reduction scheme	Replacement of Pool Hall lighting to LEDs at Leisure@			30,000	30,000				
		<b>Community Safety</b>									
CAP141	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

## GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/13	Budget 2013/14	Revised Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18
				£	£	£	£	£	£	£	£
		<b>BUILT ENVIRONMENT</b>									
		<b>Integrated Transport</b>									
CAP150	C	Civic Pride	CBC contribution to East Promenade repaving by GCC, plus street furniture costs.		139,000		6,000				
CAP151	C	Civic Pride	CBC contribution to West Promenade repaving by GCC.			100,000	100,000				
CAP152	C	Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.			100,000	100,000				
CAP153	C	Civic Pride	Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use.			100,000	100,000				
CAP154	C	Civic Pride	Scheme for St.Mary's churchyard			50,000	50,000				
CAP204	C	Civic Pride	Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration.		9,350	120,000	140,600				
CAP201	C	CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime		19,470	50,000	99,800	50,000	50,000	50,000	50,000
CAP202	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.		76,465		43,500				
		<b>Housing</b>									
CAP221	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
CAP222	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	38,700	25,000	25,000	25,000	26,000
CAP223	PSDH	Health & Safety Grant / Loans	A new form of assistance available under the council's Housing Renewal Policy 2003-06				295,500				
CAP224	LAA / C	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06								
		Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996								
		Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems			60,000	100,000				
CAP225	C/S	Housing Enabling - St Paul's Phase 2	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation				600,000	2,300,000			
CAP227	C/S	Housing Enabling - Garage Sites	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes			1,300,000	1,700,000				



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Property Name	Description	Original £
All Properties (H&S)	Consequential works from risk management inspections	15,000
All Properties (WC's)	General running repairs and redecorations to Public WC's	5,000
Bath Parade CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Bath Terrace CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Brizen Playing Field	Periodic cleaning of system and test inc. CCTV survey	1,000
Burrows Playing Field	Periodic cleaning of system and test inc. CCTV survey	1,000
Cemetery Gardens	Grave/memorial maintenance/H&S repairs	6,000
	Professional fees - survey/ design for MCW supplies replacement to cemetery	3,000
	General repairs to macadam drives/paths and edgings	10,000
	Access road widening and resurfacing	35,000
Cemetery Offices	Modifications & alterations to reception area & waiting room	20,000
Central Depot (Swindon Rd)	Replace busbar in the main chamber of the incoming supply	9,000
	Replacement of boiler conventional flue	2,000
	Resurface macadam/line painting access roads	8,000
Church Piece CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Clarence Street Library	Remedial repairs to render finishes (50-50 funding)	4,000
Commercial Street CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Coronation Square CP	Periodic cleaning of system and test inc. CCTV survey	2,000
Glenfall Street CP	Periodic cleaning of system and test inc. CCTV survey	1,400
Hatherley Park	Periodic cleaning of system and test inc. CCTV survey	1,500
Hesters Way Park	Periodic cleaning of system and test inc. CCTV survey	1,300
High Street CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Idvall Drive CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Lansdown Place CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Memorials/Statues/Fountains	Redecorations to Crimean Sebastopol War Memorial (Grant condition)	7,500
Montpellier Gardens	Periodic cleaning of system and test inc. CCTV survey	1,000
Montpellier WC	Redecoration of internal wall and ceiling linings and woodwork	3,000
	Periodic jet cleaning/test of drainage system	1,000
	Replacement of floor coverings	3,000
	General repairs to WC/ Urinal panels/partitions/doors	3,500
	Minor repairs to sanitary ware & equipment	1,000
Municipal Office	General repairs and redecorations (accommodation review contingency)	15,000
Naunton Park Pavilion	Building refurbishment professional fees	8,000
	Improvements to internal layout/floors/walls/ceilings	10,000
	Replacement of all internal ceilings	6,000
	Repairs & redecoration of roof covering profiles	17,000
	Replacement of all doors/ironmongery/joinery	10,000
	Replacement of all internal doors/ironmongery	8,000
	Consequential repairs to underground drainage	1,000
	Periodic cleaning of system and test	1,000
	Replacement of all electrical lighting & equipment (re-design)	8,000
	Replacement of electric local water heaters	1,000
	Replacement of electric space heaters & fit protective cages	6,000
	Re-wire and replacement of power fittings	10,000
	Replacement of benches and coat hooks	8,000
	Replacement of all units/worktops/sink/taps etc.	3,000
	Provision of non-slip paint application to granolithic floors	5,000
	Replacement of floor tiling to shower room wet areas	7,000
	Replacement of flooring finishes to Function Room	2,500
	Provision of new insulation to top roof void	2,000
	Replacement of hot water tank/calorifier	5,000
	Replacement of shower heads/activation and distribution pipework	8,000
	Replacement of shower mixer valves/fittings and pumps	7,000
	Replacement of shower ventilation units	2,000
	Replacement of HWS & CWS plant and equipment (inc. pressurised CWS storage)	10,000
	Replacement of rainwater goods	2,000
	Access/WC improvements for disabled users	8,000
	Replacement of all sanitary ware and WC partitions	4,500
	Redecorations to timber soffit profiles	3,000
	Access improvements/ramp for disabled users/DDA	6,000
	Improvement to external areas/landscaping/paths etc	6,000
	Provision of new decorations/preps to internal walls	9,000
	Refurbishment to all external masonry walls	3,000
	Provision of new wall tiling to shower rooms	8,000
	Redecoration to windows, including minor repairs	2,000
	Refurbishment of windows & provision of security grilles	4,000
	Replacement of Function Room doors/screens	8,000
Naunton Park Recreation Grd	Periodic cleaning of system and test inc. CCTV survey	1,000
Neptune's Fountain	General repairs/cleaning of stonework/pipework	3,000
Phoenix Passage CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Pittville Cricket Hall	Replacement of lighting lamps to main hall (re-lamp)	4,000
Pittville Park Bandstand	Redecorations to all render/wood/metal work	3,000
Pittville Park Boating Lakes	De-silting of lake silt catchment pit	34,000
Pittville Park Landing Stage	Refurbishment & upgrade of all structural elements/decking	7,000
Pittville Parks & Gardens	Periodic cleaning of system and test inc. CCTV survey	3,500
	Periodic repairs to stone features/bridges etc	5,000
Pittville Pump Room	Floor maintenance scrub clean / buff / application of one coat of lacquer	5,000
	General repairs to all stonework (rolling programme)	10,000
Pittville Rec Centre CP	Periodic cleaning of system and test inc. CCTV survey	1,000
	Replacement of external lighting lamps (re-lamp)	1,000
Pittville Recreation Centre	Professional fees for CE services design - Replacement of flood water discharge pipework	10,000
	Bird control measures to external elements (rolling programme)	2,000
	Refurbishment of timber floors - sand/ re-lacquer/ re-line	10,000
	Annual BMS checks and consequential remedial repairs	1,000
	Provision of new air conditioning system to Gym & Dance Studio	60,000
	General masonry repairs and cleaning	6,000
Pittville Swimming Pool	Replacement of Pool Hall light fittings to LED	25,000
	Replacement of diving boards & associated equipment	12,000
	Replacement of floor mastic joints in Teaching Pool Hall	1,000
	Pool water pipework inspections and repairs	5,000
	Replacement of pool filtration equipment	20,000
	Upgrade to pool water monitoring/dosing equipment	12,000
	Deep clean of diving board tower, inc. repair inspection	1,000
	Deep clean of ducting & wall tiling about diving pool/tower	2,000
Prince of Wales Stadium	Periodic cleaning of system and test	2,000
	Annual maintenance of track high lighting	6,000
	Cleaning/general maintenance of running track surface	2,000
Priors Farm Playing Field	Periodic cleaning of system and test inc. CCTV survey	1,000
Queen Elizabeth II Recreation Ground	Periodic cleaning of system and test inc. CCTV survey	1,000
Regent Arcade Multi-storey CP	Replacement of top-deck light fittings to LED's	30,000
	Redecorations to common areas inc. doors/railings	8,000
Rodney Road CP	Periodic cleaning of system and test inc. CCTV survey	1,000
St James's Street (12)	Provision of rear extension (new build)	40,000
St. George's Road CP	Periodic cleaning of system and test inc. CCTV survey	1,000
St. Peter's Rec Ground CP	Periodic cleaning of system and test inc. CCTV survey	1,000
Swindon Village Playing Field	Periodic cleaning of system and test inc. CCTV survey	1,000
Synagogue Lane CP	Periodic cleaning of system and test inc. CCTV survey	1,300
The Beeches Playing Field	Periodic cleaning of system and test inc. CCTV survey	1,000
The Crematorium	Maintenance contract for service and maintenance of cremators	60,000
Town Hall	Removal of asbestos substances from floor voids - Phase 2	10,000
	Refurbish rear entrance doors inc. renewal of all ironmongery	6,000
	Redecorations to doors following refurbishment	3,000
	Refurbishment of timber flooring - deep clean & re-wax (Tretex)	3,000
	Refurbishment of Main Hall & Stage timber flooring - full sand / two-coats lacquer	10,000
	Refurbishment of Foyer period lighting	10,000
	Redecorations to walls and ceilings within the Foyer	5,000
	Ventilation improvement (filter rack)	2,000
	BMS upgrade	10,000
	Refurbish dumb waiters and goods lifts	5,000
	Structural engineer fees to report on loading area access mods to steelwork	1,000
Welch Road Pavilion	Refurbish community room kitchen	1,000
	Redecorations to all elements within the community room	2,000
	Upgrade heating provision to community room (link to existing LPHW heating)	3,000
Welch Road Playing Field	Periodic cleaning of system and test inc. CCTV survey	1,000
Whaddon Recreation Ground	Periodic cleaning of system and test inc. CCTV survey	1,000
Christmas Illuminations	Replacement of illuminations and displays with LED lights	5,000
Town Centre East Multi-Storey CP	Periodic cleaning of system and test inc. CCTV survey	2,000
	Re-lamping and general repairs to lighting	6,000
	Replacement of light fittings to LED's	40,000
	Rolling programme of repairs to armo barriers & bollards	10,000
	Rolling programme to resurface macadam & line painting	25,000
Leckhampton Common	Provision of permanent protective fencing to lime kilns	10,000
<b>Total Programme Maintenance (agreed by AMWG)</b>		<b>949,000</b>







# Pay Policy Statement

For all Employees at  
Cheltenham Borough Council

2014/2015



## 1. Purpose

1.1. This Pay Policy Statement (The Statement) is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually prior to the commencement of the new financial year.

1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the Pay of its workforce for the financial year 2014-15, in particular: -

- the remuneration of its Chief Officers
- the remuneration of its "lowest paid employees"
- the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers

## 2. Definitions

2.1. For the purpose of this Pay Policy Statement the following definitions will apply:

- Chief Officers are those as prescribed by the Local Government and Housing Act 1989. That Act states that a Chief Officer is one of the following:
  - Chief Executive
  - Statutory Chief Officers – e.g. Section 151 Officer and Monitoring Officer
  - Non-statutory Chief Officer
- Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). From 1 April 2014 (subject to the pending annual pay award) the Grade A band will be from £12,614 to £13,725 per annum, made up of 4 incremental pay points.
- "Employee who is not a Chief Officer" refers to all staff not covered under the "Chief Officer" group above.

## 3. Pay Framework & Remuneration Levels

3.1. Remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to fulfilling the council's business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is not, nor is seen to be unnecessarily excessive. Each council has responsibility for balancing these factors and each council faces its own unique challenges and opportunities in doing so. Flexibility to cope with various circumstances that may arise is retained by the use of market supplements. (See Market Forces Supplement section below) for individual categories of posts where appropriate.

## 4. Responsibility for Decisions

4.1. The Council is a member of the local government employers association for national collective bargaining in respect of Chief Executives, Chief Officers, and all other employees.

Listed below are the separate negotiations and agreements in respect of each of these three groups.

- Chief Executives - Joint Negotiating Committee for Local Authority Chief Executives (ALACE is normally the negotiating body for pay, unless varied locally);
- Chief Officers – Joint Negotiating Committee for Chief Officers of Local Authorities
- All other employees – National Joint Council for local Government Services.

In addition to pay the national agreements cover other terms and conditions such as:

- Pension
- Occupational Sickness Scheme
- Maternity Scheme.
- Overtime

## 5. Grading Framework & Salary Grades

### 5.1. Grading Framework

The Chief Executive and Chief Officers have their basic pay determined by a job evaluation scheme (the Hay scheme). All other employees have their basic pay determined by a different job evaluation scheme (the National Joint Council Job Evaluation scheme). Both schemes ensure that different jobs having the same value are paid at the same rate. The “job score” determines the pay grade for the job. With the exception of the Chief Executive who is on a spot salary grade (with no provision for incremental progression nor additional payment on completion of a period of service), all other pay grades have 4 incremental points.

Incremental increases within the pay band are made annually and can be accelerated or withheld based upon outstanding or poor performance respectively. Once the top of the band is reached no further increases are available.

Job evaluation is carried out for all new roles, for roles where a substantial change of duty has occurred, or as required as a result of an equal pay audit. A fair and transparent process is in place for managing job evaluations, which includes Trade Union input, and moderation of evaluation outcomes to ensure consistency of application of the scheme. Equal pay audits are carried out as required.

### 5.2. Shared Posts/Lead Employer

Where these are agreed and set in place, the costs of any role are appropriately apportioned and recharged via the employment/secondment/management agreement. Such roles, where the Council is the employer, are evaluated according to the Council's existing job evaluation scheme.

### 5.3. Salary Grades

A full list of the Council's salary grades and associated spinal column pay points can be found in Appendices 9i and 9ii.

## 6. Electoral Registration and Returning Officer

The scale of fees for this role is approved by the Gloucestershire Elections Fees Working Party for local elections, or the relevant scales of fees prescribed by a Fees Order in respect of national, regional or European Parliament elections, polls or referendums.

<http://www.legislation.gov.uk/ukxi/2011/1099/body/made>

The fees constitute payments for separate employment and in most cases are eligible for superannuation purposes.

The fees are paid as part of the election account for each election and all costs, including employer superannuation costs, are recovered from the body responsible for the assembly to which candidates are being elected, or for which a poll or referendum is being carried out.

The Electoral Registration and Returning Officer for the Council is the Chief Executive.

## 7. Remuneration - level & element

### 7.1 Chief Officers

Chief Executive	Chief Executive Level Spot Grade £109,163 pa.
Deputy Chief Executive	Deputy Chief Executive Level Band £77,861 – £89,995 pa.
Director	Director Level Band 3 £65,288 - £75,453 pa Director Level Band 4 £54,018 - £61,629 pa
Employees	11 Grades A to K (see appendix 9ii)

### 7.2. New Starters Joining the Council

Employees new to the Council will normally be appointed to the first point of the salary range for their grade. Where the candidate's current employment package would make the first point of the salary range unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a higher salary may be considered by the recruiting manager. This will be within the salary range for the grade. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range. These arrangements apply to all posts up to the level of Chief Officer.

In professions where there is a particular skills shortage, as a temporary arrangement, it may be necessary to consider a market supplement to attract high quality applicants. The level and duration of premium will be determined by reference to a combination of national comparators, local conditions, recruitments difficulties, inflation, and whether the post has recently been advertised and the process has been unsuccessful.

In guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large salary packages are offered in respect of new appointments. The guidance states a threshold of £100,000 should set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any new appointment in excess of £100,000.

### 7.3. Lowest Paid Employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade

A of the Council's Job Evaluation scheme (the lowest band). From 1 April 2014 (subject to the pending annual pay award) the Grade A band will be from £12,614 to £13,725 per annum, made up of 4 incremental pay points.

For pay comparison purposes the top of grade (if applicable) will always be used.

#### **7.4. Relationship between Remuneration of Highest Paid Employee (Chief Officer) and Lowest Paid Employee**

The Council does not explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples cannot capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required. In terms of overall remuneration packages the Council's policy is to differentiate by setting different levels of basic pay to reflect differences in responsibilities but with the exception of overtime payments not to differentiate on other allowances, benefits and payments it makes.

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 1<sup>st</sup> April 2013 the current ratio of highest paid to lowest paid is 1:8.

Lowest Paid Employee (Top of current salary band Grade A)	£13,589
Mean Paid Employee (Average salary band of all employees up to & including Chief Officers)	£36,736
Median Paid Employee (Middle Salary band value of all employees up to & including Chief Officers)	£28,737
Highest Paid Employee	£109,163

#### **7.5. Bonuses**

The Council does not operate a bonus scheme for any chief officer or any other employee.

#### **7.6. Performance Related Pay**

The Council does not operate performance related pay for any chief officer or any other employee.

#### **7.7. Pay Protection**

The Council seeks to ensure that all employees receive equal pay for work of equal value. To be consistent with equal pay principles the council's protection arrangements will not create the potential for pay inequalities (e.g. open-ended protection).

There may be times when the grade for an individuals role changes for reasons unrelated to their performance e.g. restructures, In such cases the protection arrangements outlined will apply for 12 months from the date of the change.

#### **7.8. Severance Payments**

The Council has a consistent method of calculating severance payments which it applies to all employees without differentiation. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.

In line with the statutory redundancy payment scheme, the Council calculates redundancy severance payments using the following calculation. The calculation is based on an employee's age and length of continuous local government service (please note that employees must have a minimum of 2 years' continuous service to qualify for a redundancy payment) the multiplier for the number of weeks is then applied to the employee's actual weekly earnings.

The amount of redundancy pay will be calculated as –

- 0.5 week's pay for **each full year of service** where age at time of redundancy is less than 22 years of age
- 1.0 week's pay for each **full year of service** where age at time of redundancy is 22 years of age or above, but less than 41 years of age
- 1.5 weeks' pay for **each full year of service** where age at time of redundancy is 41+ years of age

The maximum number of year's service taken into account is 20. The maximum number of weeks pay is 30 for anyone aged 61 years of age or older with 20 years or more service.

In guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large severance packages are offered and arrangements are finalised for employees leaving the organisation. The guidance states a threshold of £100,000 should set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any severance packages (including salary paid in lieu, redundancy compensation, pension entitlements/costs, holiday pay, fees or allowances) offered by the authority in excess of £100,000.

### **7.9. Pension - The Local Government Pension Scheme (LGPS) and policy with regard to the exercise of discretions**

Pension provision is an important part of the remuneration package. All employees may join the LGPS. The LGPS is a statutory scheme with contributions from employees and from employers. For more comprehensive details of the LGPS please visit the following web page:-

<http://www.lgps.org.uk>

For district Councils in Gloucestershire, the LGPS is administered by Gloucestershire County Council. For information please visit the following web page:

<http://www.gloucestershire.gov.uk/11513>

Neither the LGPS nor the Council adopt different policies with regard to benefits for any category of employee: the same terms apply to all employees of the Council.

The LGPS provides for the exercise of discretion that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that it does not normally enhance pension benefits for any of its employees (see the LGPS Statement of Policy/Discretions on the Council's website). This policy statement reaffirms this in respect all employees.

The LGPS provides for flexible retirement. The LGPS requires a minimum reduction in working hours and/or that there is a reduction in grade and that any consequential payments to the pension fund are recoverable within a set pay back period. (See section below)

(Please note - at the time of preparing this statement, the proposed changes to the LGPS from April 2014 are being finalised and the Council will be able to reflect the changes in the revised published Pay Policy Statement 2015/2016.)

### 7.10. Early/Flexible Retirements

The Council's flexible retirement policy was introduced following changes to the Local Government Pension Scheme contained in the LGPS (Amendment) Regulations 2006 and the New Look Local Government Pension Regulations 1<sup>st</sup> April 2008. The precise terms of the Council's policy are discretionary and may be varied unilaterally.

Subject to the criteria of the policy and service delivery needs being met, any employee over the age of 55 and who is a member of the Local Government Pension Scheme (LGPS) can request to either reduce their hours or take a job at a lower grade/rate of pay and gain access to their pension even though they have not retired.

It is the intention of the Council that this facility be used in order to provide employees with the opportunity to take a one-off step towards permanent retirement. Any agreed requests will be treated as a permanent change to an employee's contract of employment.

### 7.11. Honorarium Payments

The Council has a responsibility to ensure equal pay for all employees and so the use of honoraria payments should be carefully considered, and be capable of justification. A payment can be made for the following reasons:-

- To recognise a *specific* contribution that an employee has made by making a single payment to him/her,

**Or**

- To recognise that an employee is temporarily undertaking some but not all the additional responsibility of a higher graded role for a continuous period of at least four weeks by making a regular monthly payment to them during that temporary period.

### 7.12. Acting up Allowances

'Acting Up' is when an employee is authorised by their line manager to provide cover for a more highly graded post for an agreed period of time.

The payment ('acting up' allowance) is a temporary payment and will be made to the individual employee for covering the duties of the higher graded job for the agreed period of time. The policy applies to all employees. The supplement to be paid will be the difference between the employee's current salary and depending on experience up to the second scale point of the grade relating to the higher level post. The payment will cease on completion of the 'acting up' period and the employee's salary will revert to that which it would have been had 'acting up' not occurred.

### 7.13. Market Forces Supplement



The Council is committed to the principles of single status employment and seeks to ensure employees receive equal pay for work of equal value.

In exceptional circumstances it may be necessary to ensure the effective recruitment and retention of employees and to pay individuals and/or groups of employees a premium rate to reflect the market competitiveness of the job. Any market supplement must be provided for from within existing budgets and be objectively justifiable. The job evaluation determined grade for that post will not be changed. Market supplements will be paid as a temporary fixed allowance. The supplements will be reviewed annually and consequently can be withdrawn, should the review demonstrate that current evidence does not justify a supplementary payment continuing. Should such a supplement continue to be paid for an extended period, e.g. several years or more, the need for continuation will be examined carefully during the annual review in order to ensure that such continuation continues to be objectively justifiable in the circumstances.

### **8. Reimbursement of Expenses**

#### **8.1 Travel & Subsistence**

The Council will meet or reimburse authorised travel and subsistence costs for attendance at approved business meetings and training events. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager.

The Council pays the HMRC mileage rate of 45 pence per business mile.

The Council does not regard such costs as remuneration but as non-pay operational costs.

#### **8.2 Disturbance Allowance**

All employees who incur additional costs arising from a compulsory change in their work place will be reimbursed in accordance with the Council's Disturbance Allowance policy. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager. The Council does not regard such costs as remuneration but as non-pay operational costs.

#### **8.3. Relocation Expenses**

The Council operates a scheme of relocation allowances to assist new employees who need to move in order to take up an appointment with the Council. Relocation allowances are paid at the discretion of the Directors (or Appointment Committee for Chief Officers and above) where they think that it is essential to pay such allowances in order to attract the right candidate for the job.

The same policy applies to Chief Executive, Chief Officers and other employees in that payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area. The costs include estate agents fees, legal fees, stamp duty, storage and removal costs, short term rental etc. An employee who leaves within 2 years of appointment will have to make a repayment of 1/24<sup>th</sup> for each month short of the 2 year period.

#### **8.4. Professional Fees & Subscriptions**

The Council meets the cost of one annual professional membership body fee or subscription where it is a statutory requirement for the role and where applicable meets the cost of membership of SOLACE (Society of Local Authority Chief Executives).

**9. Re-employment of Former Council Employees**

With regards to re-employing former local government employees who have been made redundant, if there is less than a 4 week gap between someone being made redundant from any body under the modification order and joining/re-joining the Council they will be required to repay their redundancy payment to their previous employer. If the gap is longer than 4 weeks they can retain their payment.

Any Chief Officer who was previously employed by the Council and who, on ceasing to be employed, was in receipt of a severance or redundancy payment will not be re-employed under a contract for services unless otherwise agreed by the relevant authorising body (e.g. Appointments Committee).

**10. The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011.**

The Council notes the discretion and confirms that it will not make use of this discretionary power.

**11. Trade Union Recognition and Facility Time**

The Council supports the system of collective bargaining and the principle of solving employee relations problems by discussion and agreement.

The Council recognises two trade unions for collective bargaining purposes. These are GMB and Unison. All parties recognise that it is vital to good employee relations for the workforce to be properly represented. Furthermore all parties believe that a truly representative and effective union will enhance workforce employee relations.

The Trade Union and Labour Relations (Consolidation) Act 1992 sections 168 and 170 make provision for employees to be given the right to take reasonable time off under various circumstances. Trade Union representatives engaged on recognised duties will be given reasonable paid time off during normal working hours to carry out functions related to their representational responsibilities. The table below contains the estimated amount of reasonable time permitted for TU activity/duties over a normal business year.

Activity/Duty	Estimated Hours per week	No of Reps	Total Estimated time per business year.*
Case Management & Advice to Membership	Average 1 hours per week	4	188 hours
Training	Average 0.5 hours per week	4	94 hours
Health and Safety	Average of 1 hours per week	2	94 hours
Corporate meetings, TU meetings and prep time	Average 0.5 hours per week	4	94 hours
<b>Estimated Total Hours</b>			<b>470 hours</b>

<b>Estimated Average Total Hours per TU Rep Per Week</b>
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<b>2.5 hours per week</b>
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\*business year assumes TU reps each have 25 days annual leave. Calculation based on 47 weeks per year)

**The Council does not have any full time trade union representatives in its employment.**

## 12. National Minimum Wage/Living Wage

The National Minimum Wage (NMW) is a legal requirement that applies to most workers in the UK over school leaving age. The NMW rates are reviewed each year by the Low Pay commission.

The NMW rates from 1 October 2013 are:

- £6.31 (per hour) for workers 21 years of age and over
- £5.03 (per hour) 18 - 20 years of age
- £3.72 (per hour) for 16-17 years of age, who are above school leaving age but under 18 years of age
- £2.68 (per hour) for apprentices under 19 or 19 years of age or over who are in the first year of apprenticeship.

The Living Wage (LW) is not a legal requirement but a recommended hourly rate set independently and updated annually. The UK Living Wage is calculated by the Centre for Research in Social Policy whilst the London Living Wage is calculated by the Greater London Authority and is based according to the basic cost of living in the UK.

Employers can *choose* to pay the LW on a voluntary basis.

The Council's comparative Grade hourly rate is Grade B scp 11, £7.71. Grade A being used as a stepping stone grade from Apprentice to trainee role. The employees on Grade A are usually under 21. The majority of the Council's employees are on Grade B and above.

The Council has not indicated its intention to fully implement the current Living Wage Hourly rate (£7.65) for all employees for 2014/2015 but will consider again for 2015-2016.

## 13. Other pay and conditions

Other pay and conditions in operation, as follows:

- Shift premium
- Stand by and call out payments
- Premium for bank holiday/public holiday working
- Long Service Award
- Enhanced Leave – buy or sell up to an additional 5 days leave.
- Childcare Vouchers Salary Sacrifice Scheme
- Training Fees Reimbursement (post entry training scheme)
- Employee Welfare Service

- Eye Test Voucher Scheme

#### **14. Publication and access to information**

The publication of and access to information relating to remuneration of the Council's Chief Officers will be published annually on the Council's Website.

**Please contact GO Shared Service HR & Payroll Business Centre Team on 01242 775092 or email [jobs@cheltenham.gov.uk](mailto:jobs@cheltenham.gov.uk) for more information about this Statement and/or its contents.**

Please note all HR policies referred to in this statement are available on request.

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**Revised following Hay JE grading**  
**Cheltenham Borough Council**  
**Grades 4 to 1 - Chief Officer-CEX Payscales**

**1st APRIL 2013**

SCP	GRADE DESCRIPTION	Annual Salary 2013	MONTHLY SALARY	HOURLY RATE
454	Grade 4 - Director Level	£ 54,018.84	£ 4,501.57	£ 27.9999
455	Grade 4 - Director Level	£ 56,547.88	£ 4,712.32	£ 29.3107
456	Grade 4 - Director Level	£ 59,090.05	£ 4,924.17	£ 30.6284
457	Grade 4 - Director Level	£ 61,629.19	£ 5,135.77	£ 31.9446
364	Grade 3 - Director Level	£ 65,288.42	£ 5,440.70	£ 33.8413
365	Grade 3 - Director Level	£ 68,671.92	£ 5,722.66	£ 35.5951
366	Grade 3 - Director Level	£ 72,055.42	£ 6,004.62	£ 37.3489
367	Grade 3 - Director Level	£ 75,453.06	£ 6,287.76	£ 39.1100
274	Grade 2 - Strategic Director Level/Deputy Chief Executive	£ 77,861.91	£ 6,488.49	£ 40.3586
275	Grade 2 - Strategic Director Level/Deputy Chief Executive	£ 81,899.89	£ 6,824.99	£ 42.4516
276	Grade 2 - Strategic Director Level/Deputy Chief Executive	£ 85,958.07	£ 7,163.17	£ 44.5551
277	Grade 2 - Strategic Director Level/Deputy Chief Executive	£ 89,995.04	£ 7,499.59	£ 46.6476
	Grade 1 - CEX Spot Salary	<b>£109,163.83</b>	<b>£ 9,096.99</b>	<b>£ 56.5834</b>

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## New pay scales following pay award 2013

			NEW		WEEKLY	HOURLY	JE Points
SCP	GRADE		ANNUAL	MONTHLY	PAY	RATE	Score
GRADE			SALARY 2013	SALARY	37 hr week	37 hr week	
006	Grade A		£12,614	£1,051.16	£241.91	£6.5382	0-294
007	Grade A		£12,915	£1,076.24	£247.69	£6.6942	
008	Grade A		£13,321	£1,110.07	£255.47	£6.9047	
009	Grade A		£13,725	£1,143.74	£263.22	£7.1141	
010	Grade B		£14,013	£1,167.73	£268.74	£7.2633	295-344
011	Grade B		£14,880	£1,240.03	£285.38	£7.7130	
012	Grade B		£15,189	£1,265.78	£291.31	£7.8732	
013	Grade B		£15,598	£1,299.87	£299.15	£8.0852	
014	Grade C		£15,882	£1,323.52	£304.60	£8.2323	345-394
015	Grade C		£16,215	£1,351.21	£310.97	£8.4046	
016	Grade C		£16,604	£1,383.70	£318.45	£8.6066	
017	Grade C		£16,998	£1,416.53	£326.00	£8.8108	
018	Grade D		£17,333	£1,444.38	£332.41	£8.9841	395-444
019	Grade D		£17,980	£1,498.34	£344.83	£9.3197	
020	Grade D		£18,638	£1,553.13	£357.44	£9.6605	
021	Grade D		£19,317	£1,609.77	£370.47	£10.0128	
022	Grade E		£19,817	£1,651.43	£380.06	£10.2720	445-494
023	Grade E		£20,400	£1,700.00	£391.24	£10.5740	
024	Grade E		£21,067	£1,755.55	£404.02	£10.9195	
025	Grade E		£21,734	£1,811.18	£416.83	£11.2656	
026	Grade F		£22,443	£1,870.27	£430.42	£11.6331	495-544
027	Grade F		£23,188	£1,932.30	£444.70	£12.0189	
028	Grade F		£23,945	£1,995.42	£459.23	£12.4116	
029	Grade F		£24,892	£2,074.37	£477.40	£12.9026	
030	Grade G		£25,727	£2,143.89	£493.40	£13.3351	545-594
031	Grade G		£26,539	£2,211.56	£508.97	£13.7560	
032	Grade G		£27,323	£2,276.88	£524.00	£14.1622	
033	Grade G		£28,127	£2,343.96	£539.44	£14.5795	
812	Grade H		£28,737	£2,394.71	£551.12	£14.8951	595-644
813	Grade H		£29,852	£2,487.63	£572.51	£15.4731	
814	Grade H		£30,967	£2,580.55	£593.89	£16.0511	
815	Grade H		£32,078	£2,673.13	£615.20	£16.6269	
722	Grade I		£32,719	£2,726.58	£627.50	£16.9594	645-694
723	Grade I		£33,982	£2,831.87	£651.73	£17.6143	
724	Grade I		£35,262	£2,938.51	£676.27	£18.2776	
725	Grade I		£36,528	£3,043.97	£700.54	£18.9336	
632	Grade J		£37,114	£3,092.87	£711.80	£19.2377	695-744
633	Grade J		£38,674	£3,222.83	£741.70	£20.0460	
634	Grade J		£40,236	£3,353.03	£771.67	£20.8559	
635	Grade J		£41,806	£3,483.83	£801.77	£21.6695	
542	Grade K		£42,618	£3,551.50	£817.34	£22.0904	745 +
543	Grade K		£44,542	£3,711.83	£854.24	£23.0877	
544	Grade K		£46,455	£3,871.25	£890.93	£24.0792	



545	Grade K		£48,376	£4,011.33	£927.77	£25,0750	
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## Public Consultation

As usual, the Council engaged in public consultation in respect of the 2014/15 budget. Specifically:

- A series of consultation meetings were held with stakeholders, namely the Voluntary Sector Forum, the C5 Group of Parish Councils, the Cheltenham Business Partnership and the Cheltenham Chamber of Commerce.
- Budget information and a questionnaire were posted online.
- A summary of the budget and a questionnaire were made available in reception at the Municipal Offices.
- The Cabinet Member Finance wrote personally to residents who had taken part in previous consultations, enclosing a budget summary and inviting them to comment.

### Response from the consultation meetings

#### 1. The Voluntary Sector Forum

- **Some members were critical of the decision to freeze council tax, given the size of the cuts in Government funding over the past few years.**

*Cabinet response:* The Cabinet's views on the case for freezing the borough's share of council are outlined in the main budget report.

- **Some members expressed concern at the impact of welfare reform on private tenants.**

*Cabinet response:* The Council funds CCP to provide welfare and housing advice and also supports a number of other charities that can be of assistance to private tenants. Also some of the investment CBH is making in helping council tenants cope with the changes in the welfare system may benefit private tenants too.

#### 2. The C5 Group of Parish Councils

- **Members of the Group queried the council tax freeze. They have followed the lead of the Borough Council in freezing their precepts for a number of years but are finding it increasingly difficult to do so.**

*Cabinet response:* The point is noted and will be a factor in deciding the level of council tax for 2015/16.

- **The Group was appreciative of the Cabinet's proposal not to pass on the Government's cut in Council Tax Support funding to the parishes.**

*Cabinet response:* The comment is noted.

- **The Group asked the Council to consider allocating part of its New Homes Bonus income to the parishes.**

*Cabinet response:* It would be difficult to do this without disadvantaging many residents, bearing in mind that most of the borough is not parished. However, the Cabinet is proposing to continue the Community Pride scheme, which allows parish councils among other local organisation to bid for grants for local improvement schemes. In the current budget proposals this is funded from New Homes Bonus.

#### 3. The Cheltenham Business Partnership

- **There was some discussion of parking charges and how borough charges related to county on-street charges. The point was made that on-street**

**parking is intended for rapid turnover while car parks are intended for longer stayers and priced accordingly.**

*Cabinet response:* No response necessary.

- **There was also some discussion of the possible creation of a Business Improvement District, for which the Borough Council provided £15,000 as start-up funding last July. It appears that this project may not have enough support now among the business community to make it viable.**

*Cabinet response:* We have always been of the view that the BID is only viable if it is supported and led by the business community. If this support is not forthcoming, the Council will need to reconsider.

#### **4. The Cheltenham Chamber of Commerce**

- **The Chamber members who attended the meeting were generally favourable to the draft budget. The Deputy Chief Executive of the Chamber subsequently wrote on their behalf to the Cabinet Member Finance expressing the view that the Council had "worked hard on producing a sensible mix of proposed savings".**

*Cabinet response:* The Cabinet are grateful to the Chamber for taking part in the consultation and for their positive feedback.

#### **5. Feedback from individual members of the public**

Despite writing to past participants in the consultation process to invite their comments, only seven individual residents responded, all of them online.

- **In response to the question "Do you think the Council is broadly right to make the savings listed in the draft budget papers?", all of them answered YES.**
- **In response to the question "Do you think the Council is right to keep council tax at its present level in 2014/15?", once again all of them answered YES.**

Individual comments included:

- **Make more savings if possible** (one respondent).  
*Cabinet response:* The Council will need to make further savings to bridge the funding gap in future years and it is already working hard to do so.
- **Cut out any spending on twinning** (one respondent).  
*Cabinet response:* Expenditure on twinning is very modest and delivers significant benefits in terms of cultural, sports and business links.
- **Provide more public toilets** (one respondent).  
*Cabinet response:* We accept that lack of public toilets is a particular problem in the town centre late at night and we will examine what we can do to address this.
- **Management costs have not decreased in line with reduced services** (one respondent).  
*Cabinet response:* This comment is based on a misunderstanding. There have been drastic cuts in management costs, especially due to shared services and senior management restructuring.

**Cheltenham Borough Council**

**Cabinet – 11th February 2014**

**Council – 14th February 2014**

**Housing Revenue Account - Revised Budget 2013/14 and Final Budget Proposals 2014/15**

<b>Accountable member</b>	Cabinet Member for Finance, John Rawson
<b>Accountable officer</b>	Director of Resources (Section 151 Officer), Mark Sheldon
<b>Ward(s) affected</b>	All
<b>Key Decision</b>	Yes
<b>Executive summary</b>	This report summarises the Housing Revenue Account (HRA) revised budget for 2013/14 and the Cabinet’s budget proposals for 2014/15.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Note the revised HRA budget and capital programme for 2013/14 as set out in Appendices 2 and 3.</li> <li>2. Approve the HRA budget proposals for 2014/15 including a proposed average rent increase of 4.03% (applied in accordance with national rent restructuring guidelines) and increases in other rents and charges as detailed at Appendix 5.</li> <li>3. Approve the proposed HRA capital programme for 2014/15 as shown at Appendix 3.</li> <li>4. Approve the creation of an earmarked revenue reserve to finance future new build in the HRA, the value of funds to be transferred to this reserve to be considered by Cabinet and approved by Council as part of the review of HRA outturn for each accounting year.</li> </ol>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Mark Sheldon.</b></p> <p><b>E-mail: <a href="mailto:mark.sheldon@cheltenham.gov.uk">mark.sheldon@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264123</b></p>
<b>Legal implications</b>	<p>There are no direct legal implications arising from this report</p> <p><b>Contact officer: Donna Ruck, Solicitor</b></p> <p><b>E-mail: <a href="mailto:donna.ruck@tewkesbury.gov.uk">donna.ruck@tewkesbury.gov.uk</a></b></p> <p><b>Tel no: 01684 272696</b></p>

<b>HR implications (including learning and organisational development)</b>	No direct HR implications arising from this report.  <b>Contact officer: Julie McCarthy</b>  <b>E-mail: julie.mccarthy@cheltenham.gov.uk</b>  <b>Tel no: 01242 264355</b>
<b>Key risks</b>	As outlined in Appendix 1
<b>Corporate and community plan Implications</b>	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
<b>Environmental and climate change implications</b>	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 budget for 2014/15, approved by Cabinet on 17<sup>th</sup> December 2013, has been adjusted to reflect updated income and expenditure estimates for service charges and pv installations and a reduction in rent rebate subsidy limitation. The net impact of these amendments is an increase in the anticipated surplus of £9,700.

## 2. HRA Business Plan

- 2.1 In February 2012 the Council approved a new 30 year HRA business plan which anticipated significant additional resources arising from the implementation of self-financing. The Council also approved a strategy to use these resources to finance a programme of new build, further improvements to existing stock and additional support services for tenants.

- 2.2 Initial progress in delivering those objectives is summarised below:-

- Year 1 (2012/13), the Council requested CBH to develop investment proposals. Additional resources arising in the year were used to repay debt falling due (£1.392m.), increasing the borrowing headroom available to £8.1m.
- Year 2 (2013/14), Council approved budget proposals in February 2013 which included an investment of £1m. over 3 years, commencing in 2013/14, to improve services to tenants and a further £4.5m. to increase capital expenditure on the existing stock within the same period. The Council has also supported a continuation of CBH new build on HRA land at four garage sites and St Paul's Phase 2.

- 2.3 The financial projections within the business plan have been updated to reflect the 2012/13 outturn and variations to budget in the current year. The opportunity has also been taken to review forward assumptions using the best available information to date.

- 2.4 The budget proposals for 2014/15 and projections for the following two years are based on the following key assumptions:-

- Rent – increase of 4.03% from April 2014 and annually thereafter at Consumer Price Index (CPI) + 1% (this reflects Government proposals for future social rent policy, see

paragraph 4.2.3 below).

- Inflation – CPI at 2.25% p.a. and RPI at 2.75% p.a.
- Void rent loss at 1% p.a.
- Stock loss through Right to Buy (RTB) – 22 units in 2013/14, 20 units in 2014/15 and 12 units p.a. for the following 2 years. The Government stimulus has attracted more interest in the scheme but completions are still at a fairly modest level. The impact of the scheme is being closely monitored.
- Interest payable at a blended fixed rate of 3.7% assuming no change to debt levels in the period to 31<sup>st</sup> March 2017
- Bad debt provision rising to 2% of rent collectable by 2016/17 to reflect phased introduction of welfare reform.

Further detail on cost assumptions are shown in section 4 below.

**2.5** The Chartered Institute of Housing and the Chartered Institute of Public Finance and Accountancy have recently published a voluntary code of practice for the self financed HRA based on 6 key principles which are considered essential elements for the continued sustainability of the business plan. They are inviting all stock owning authorities to sign up to the code which is supported by a self-assessment toolkit enabling each Council to measure their compliance with the principles and benchmark progress against other local authorities. Officers are currently evaluating the toolkit and will bring forward a future recommendation as to whether the Council should sign up to this code.

### **3. 2013/14 Revised Budget**

**3.1** The revised budget at Appendix 2 shows a decrease in the deficit for the year of £262,700 compared to the original estimate. This reduction, together with an increase of £448,900 in the balance brought forward from 2012/13, will give revenue reserves of £3,538,800 at 31<sup>st</sup> March 2014.

**3.2** Significant variations have been identified in 2013/14 budget monitoring reports and are summarised below:-

<b>Budget Heading</b>	<b>Change in resources</b>
	<b>£'000</b>
Repairs & Maintenance – higher repair cost from increased voids	-150
Bad Debt Provision – lower arrears than anticipated reflect delay in implementation of benefit changes and allocation of additional resources to mitigate impact	120
Depreciation	-47
Dwelling Rents – loss of rent from additional sales and higher voids	-161
Transfer from Major Repairs Reserve – confirmation of accounting practice	-108
Revenue contributions to fund capital programme – additional funding options have reduced use of revenue resources	635
Other net variations	-26
<b>Net decrease in Deficit for Year</b>	<b>263</b>

### **4. 2014/15 Budget**

4.1 The budget proposals for 2014/15 and projections for the following 2 years are shown at Appendix 2.

**4.2 Rent Increase and changes to Social Rent Policy**

4.2.1 Since 2002 Government social rent policy has used the retail price index (RPI) in the preceding September plus 0.5% to uplift the formula rent for each property in the following financial year. In September 2013 RPI was 3.2% so formula rents for each property will be increased by 3.7% for 2014/15.

4.2.2 Rent restructuring, which would bring the actual rents of all local authority properties to their formula rent, was timetabled to be complete by 2015/16. The application of those guidelines in Cheltenham will result in an average rent increase of 4.03% from April 2014. The assumption that this process would continue was used by the Government in the debt settlement calculations and also in the 30 year HRA Business Plan projections. Appendix 5 details the proposed average rent for 2014/15 together with the proposed garage rent which reflects an increase of 3.2% (in line with RPI).

4.2.3 The Government has recently completed a consultation process on social rent policy for the ten year period from April 2015. The key proposals are:-

- The formula rent for each property will be increased annually by CPI + 1% (currently RPI + 0.5%)
- Convergence to formula rent will cease in 2014/15, with future rent increases limited to CPI + 1% (currently RPI + 0.5% + up to £2 per week for upward convergence with formula rent)
- Tenants with declared income in excess of £60,000 p.a. to pay full market rent.

The change in the price index is unlikely to have much impact given that the long term trend has shown RPI being in the range of 0.5% to 0.7% higher than CPI. However the end of rent convergence will have a very significant impact on those authorities whose average rent is still some way below formula rent. They will have anticipated rental growth on the basis of convergence continuing in their business plans. Cheltenham is fortunate in that the average rent will only be 0.33% below formula by April 2015 and thus the rent lost will be marginal (approx £60,000 pa). The Government proposals allow rents to be moved straight to formula when a property is re-let so that rent lost through this policy change will reduce over time.

4.3 The variable service charge proposals for 2014/15 show, on average, no increase for grounds maintenance (reflecting savings in the previous year), an increase of 6% for cleaning and a 2% increase on communal lighting. As shown in Appendix 5 fuel charges for communal heating schemes are also being held at the current price, reflecting the benefits of fixed tariffs and improved thermal efficiency.

4.4 Significant changes to the HRA in 2014/15 as compared to the revised estimates for 2013/14 are itemised in the table below. There is a forecast surplus of £124,900 for the year which leaves revenue reserves at £3,663,700 at 31<sup>st</sup> March 2015.

Budget Heading	Change in resources £'000
Increase in base CBH management fee (see paragraph 4.5.2 below)	-216

CBH Service Improvement (paid in 2013/14 only)	1,000
Reduction in repairs and maintenance (anticipates lower voids)	59
Increase in bad debt provision – impact of welfare reform	-51
Depreciation	-139
Increase in rents (after adjustment for stock loss)	675
Income from PV tariff	62
Revenue contributions to capital – increased capital investment	-1,278
Other (net)	36
<b>Net increase in resources</b>	<b>148</b>

#### 4.5 Cheltenham Borough Homes (CBH)

4.5.1 The budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposals for 2014/15.

4.5.2 CBH budgets approved by their Board on 29<sup>th</sup> January 2014 show a net increase in management costs of £285,900 analysed as below:-

	£
Pay award (1%) and increments	76
Pension fund contributions – increase follows triennial valuation of fund	155
Additional Posts – 2 Surveyors to support increased capital spend	70
Other net savings	(15)
<b>Increase in net management costs</b>	<b>286</b>

The HRA management fee represents an increase of 4.6% over the current year enabling CBH budgets for 2014/15 to show a breakeven position on services provided to the Council.

4.5.3 The additional charge of £70,000 for management of the capital programme allows the employment of two additional surveyors for the delivery of the significant increase in expenditure. Despite this uplift in cost, fee levels will remain below 8% of works which is considered commensurate with market levels.

4.5.4 The overall cost of repairs and maintenance has increased by 1.6% incorporating estimates of demand for materials. The cost of delivering the estate cleaning contract has risen by £13,400 which is primarily due to increased employee pension costs.

4.5.5 The company has prepared a progress statement on the use of the service investment funds, totalling £1m., approved by the Council for the three year period to March 2016. This is shown at Appendix 6. The enhancements to the four service areas are being delivered through discrete projects with informed budget allocations and specified outcome targets. All projects are being closely monitored with bi-monthly progress reports being shared with Council officers at liaison meetings.

4.5.6 During a period of service expansion CBH have emphasised the need to continue to demonstrate value for money, requiring full business cases to be prepared for each new initiative. They will seek corporate economies of scale as the level of activity increases.

4.5.7 The fee submission for the main areas of activity is shown below and compared with 2013/14.

	2013/14	2014/15
	£	£
Management Fee	4,698,400	4,914,300



Revenue & Capital Repairs	<b>3,795,100</b>	<b>3,857,700</b>
Management of Capital Programme	<b>455,000</b>	<b>525,000</b>
Block Cleaning Service	<b>293,700</b>	<b>307,100</b>

## 5. Capital Programme

- 5.1** The revised capital programme for 2013/14 reflects the completion of schemes carried forward from the previous year as previously reported to Cabinet.
- 5.2** The detailed capital programme for 2014/15 and indicative programmes for the following two years are shown at Appendix 4. These reflect the additional funding allocated to stock investment for photo voltaic installations and other sustainability measures and the acceleration of the window replacement programme, due to commence in 2015/16. There is also provision for transformational improvements to retained properties in Folly Lane, adjacent to the St Paul's 2 new build site.
- 5.3** The proposed funding of the capital programme, together with a statement of balances on the major repairs reserve is shown at Appendix 3. The main sources of funding remain the major repairs reserve and contributions from the revenue account. The Government's policy to stimulate RTB has increased the availability of capital receipts. An element of those receipts, being that attributable to the debt held on each sold property, can be used for any HRA purpose, and it is proposed that these sums be used to finance capital expenditure on the existing stock.
- 5.4** Receipts from non RTB disposals and those retained through the one for one replacement agreement with the Government are held separately for investment in new affordable housing.
- 5.5** Council and CBH officers are currently carrying out site appraisals to identify opportunities for HRA new build. Some of these sites will require the acquisition of private interests to make them suitable for development. To enable the efficient assembly of such sites it is recommended that opportunities for purchasing those interests be pursued as they arise. The acquisitions could be funded by either revenue contributions or capital receipts (including retention receipts). An initial provision of £0.6m. has been included in 2014/15 programme, currently assumed to be funded by capital receipts.

## 6. Reserves

- 6.1** The recommended minimum revenue balance to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £4.010m. at 31<sup>st</sup> March 2017. They also show an increasing surplus of operating income year on year. A significant part of these surpluses is being used to fund both service improvement and additional investment in the existing stock.
- 6.2** It is recommended that an earmarked reserve be created to identify resources available to support the delivery of new build in the HRA. This would demonstrate a clear strategy to finance the third objective in the business plan but would not prejudice any future decision to reallocate these funds if necessary. The level of funds to be transferred to this reserve would be approved by Cabinet and Council when considering the outturn report for each accounting year commencing with 2013/14, but the overall sum is to be initially restricted to a maximum of £2.5m. in the period to 31<sup>st</sup> March 2017.

**7. Consultation process**

**7.1** The budget proposals have been endorsed by the Board of Cheltenham Borough Homes Ltd and presented to the Tenant Scrutiny Improvement Panel with no specific concerns being raised. No other responses have been received during the period of consultation.

<p><b>Report author</b></p>	<p><b>Steve Slater, Finance Director, Cheltenham Borough Homes</b>  <b>Tel. 01242 264192;</b>  <b><i>e-mail address steve.slater@cheltborohomes.org</i></b></p>
<p><b>Appendices</b></p>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. HRA Operating Account</li> <li>3. Major Repairs Reserve and HRA Capital Programme (summary)</li> <li>4. HRA Capital Programme (detail)</li> <li>5. HRA – Rents and Charges</li> </ol>
<p><b>Background information</b></p>	<ol style="list-style-type: none"> <li>1. HRA 30 year Business Plan</li> <li>2. CBH Budgets and Plans 2014/15</li> </ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If welfare reforms have a greater impact on tenants than anticipated and planned for, it may increase the level of debt or impact on vulnerable families	Jane Griffiths	December 2012	3	4	12	R	The HRA budget includes specific resources to address welfare reform	Mar 2017	CBH through management agreement	
1.02	If supporting people contracts are not renewed it could impact on the tenants in sheltered accommodation	Jane Griffiths	December 2012	2	3	6	R	The existing contract has been extended to October 2014. An evaluation of alternative service and funding options is in progress. The budget currently assumes contract income will reduce as it has been confirmed that the cost of alarm systems will not be funded in future	Mar 2015	CBH through management agreement	
1.03	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Jane Griffiths	December 2012	3	2	6	R	Demand for social housing remains high with significant waiting list. Despite an unexpected increase in the first half of 2013/14 void levels are returning to a normal low level and CBH is achieving high performance on re-letting time. Quality of accommodation needs to be maintained and changes in tenancy termination rates monitored	Mar 2015	CBH through management agreement	

1.04	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Jane Griffiths	December 2012	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 2015	CBH through management agreement	
1.05	If there is insufficient capacity to deliver the ambitious programme of building works then the programme may not be deliverable	Jane Griffiths	December 2012	2	3	6	R	The HRA budget includes specific resources to address capital programme works	Mar 2016	CBH through management agreement	
1.06	If the £1m. investment in services is not planned to maximise the use of collective partnership resources there is a risk of duplication and lack of value for money	Jane Griffiths	December 2012	3	3	9	R	Officers from CBC will be working with CBH to ensure that there is a co-ordinated development of expenditure plans	Mar 2016	CBH through management agreement	
1.07	If the capital receipts held from RTB sales under the retention agreement with DCLG are not used within 3 years of receipt they are repayable with interest to the Government	Jane Griffiths	December 2013	3	3	9	R	Officers from CBC and CBH are currently evaluating sites for new build development to ensure procurement and delivery timescales will allow use of these funds before expiry	Dec 2015	CBC/CBH	
1.08	If private interests on potential development sites cannot be acquired through a cost effective and timely process this could prevent or delay new build schemes	Jane Griffiths	December 2013	3	4	12	R	The HRA budget includes a provision for the early acquisition of relevant interests on identified sites if opportunities arise	Mar 2017	CBC/CBH	

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HRA OPERATING ACCOUNT

	2013/14		2014/15	2015/16		2016/17
	Original	Revised	Estimate	Projections		
	£	£	£	£	£	£
<b><u>EXPENDITURE</u></b>						
General & Special Management	1,883,600	1,922,800	1,937,400	1,922,400	1,795,500	
ALMO Management Fee	4,698,400	4,698,400	4,914,300	4,988,000	5,100,200	
ALMO Service Improvement	1,000,000	1,000,000	0	0	0	
Rents, Rates, Taxes and Other Charges	35,100	40,100	45,200	45,500	45,900	
Repairs & Maintenance	3,903,000	4,053,100	3,993,700	4,032,000	4,143,000	
Provision for Bad Debts	320,000	200,000	251,000	324,000	400,000	
Interest Payable	1,684,700	1,684,700	1,684,700	1,684,700	1,684,700	
Depreciation of Dwellings	5,157,800	5,206,600	5,322,400	5,446,200	5,582,000	
Depreciation of Other Assets	108,400	106,200	129,600	140,900	152,000	
Debt Management Expenses	80,900	80,900	81,700	82,500	82,500	
Rent Rebate Subsidy Limitation	41,400	41,400	0	0	0	
<b>TOTAL</b>	<b>18,913,300</b>	<b>19,034,200</b>	<b>18,360,000</b>	<b>18,666,200</b>	<b>18,985,800</b>	
<b><u>INCOME</u></b>						
Dwelling Rents	18,359,300	18,198,600	18,873,300	19,418,100	19,995,400	
Non Dwelling Rents	443,500	432,200	433,500	438,600	443,100	
Charges for Services and Facilities	755,200	780,800	797,500	803,300	809,600	
Supporting People Grant	130,000	130,000	110,000	90,000	90,000	
Feed in Tariff from PV Installations	0	13,000	75,000	198,000	202,000	
<b>TOTAL</b>	<b>19,688,000</b>	<b>19,554,600</b>	<b>20,289,300</b>	<b>20,948,000</b>	<b>21,540,100</b>	
<b>NET INCOME FROM SERVICES</b>	<b>-774,700</b>	<b>-520,400</b>	<b>-1,929,300</b>	<b>-2,281,800</b>	<b>-2,554,300</b>	
Amortised Premiums/Discounts	-10,100	-10,100	-10,100	-10,100	-7,300	
Interest Receivable	-35,200	-25,900	-42,500	-42,500	-42,500	
<b>NET OPERATING INCOME</b>	<b>-820,000</b>	<b>-556,400</b>	<b>-1,981,900</b>	<b>-2,334,400</b>	<b>-2,604,100</b>	
<b>Appropriations</b>						
Revenue Contributions to Capital	1,214,200	579,500	1,857,000	2,095,900	2,496,000	
Transfer from Major Repairs Reserve	-108,400	0	0	0	0	
<b>HRA Surplus/(Deficit) carried to reserves</b>	<b>-285,800</b>	<b>-23,100</b>	<b>124,900</b>	<b>238,500</b>	<b>108,100</b>	
<b>Revenue Reserve brought forward</b>	<b>3,113,000</b>	<b>3,561,900</b>	<b>3,538,800</b>	<b>3,663,700</b>	<b>3,902,200</b>	
<b>Revenue Reserve carried forward</b>	<b>2,827,200</b>	<b>3,538,800</b>	<b>3,663,700</b>	<b>3,902,200</b>	<b>4,010,300</b>	
<b>Average Rent:-</b>			<b>4.03%</b>	<b>3.25%</b>	<b>3.25%</b>	
<b>Increase 1st April 2013</b>				<b>90.19</b>	<b>93.12</b>	
<b>48 wk</b>		<b>83.97</b>	<b>87.35</b>	<b>83.25</b>	<b>85.96</b>	
<b>52 wk</b>		<b>77.51</b>	<b>80.63</b>	<b>4,523</b>	<b>4,511</b>	
<b>Average stock</b>		<b>4,558</b>	<b>4,543</b>			

**MAJOR REPAIRS RESERVE**

	2013/14		2014/15	2015/16	2016/17
	Original	Revised	Estimate	Projections	Projections
	£	£	£	£	£
Balance brought forward	0	399,100	0	0	0
Depreciation of Dwellings	5,157,800	5,206,600	5,322,400	5,446,200	5,582,000
Depreciation of Other Assets	108,400	106,200	129,600	140,900	152,000
	5,266,200	5,711,900	5,452,000	5,587,100	5,734,000
Utilised to fund Capital Programme	-5,157,800	-5,711,900	-5,452,000	-5,587,100	-5,734,000
Transfer to HRA re Other Assets	-108,400	0	0	0	0
Balance carried forward	0	0	0	0	0

**HRA CAPITAL PROGRAMME**

	2013/14		2014/15	2015/16	2016/17
	Original	Revised	Estimate	Projections	Projections
	£	£	£	£	£
Property Improvements & Major Repairs (see detail at Appendix 5)	5,762,000	6,331,400	7,739,000	7,373,000	7,920,000
Adaptions for the Disabled	400,000	450,000	400,000	400,000	400,000
Environmental Works (Tenant Selection)	60,000	60,000	60,000	60,000	60,000
Repurchase of Shared Ownership Dwellings	50,000	50,000	50,000	50,000	50,000
Contribution to ICT infrastructure	200,000	200,000			
	6,472,000	7,091,400	8,249,000	7,883,000	8,430,000

**EXPENDITURE**

Property Improvements & Major Repairs (see detail at Appendix 5)	5,762,000	6,331,400	7,739,000	7,373,000	7,920,000
Adaptions for the Disabled	400,000	450,000	400,000	400,000	400,000
Environmental Works (Tenant Selection)	60,000	60,000	60,000	60,000	60,000
Repurchase of Shared Ownership Dwellings	50,000	50,000	50,000	50,000	50,000
Contribution to ICT infrastructure	200,000	200,000			
	6,472,000	7,091,400	8,249,000	7,883,000	8,430,000

**FINANCING**

Capital Receipts	100,000	800,000	940,000	200,000	200,000
HRA Revenue Contribution	1,214,200	579,500	1,857,000	2,095,900	2,496,000
Major Repairs Reserve	5,157,800	5,711,900	5,452,000	5,587,100	5,734,000
	6,472,000	7,091,400	8,249,000	7,883,000	8,430,000

PROPERTY IMPROVEMENT & MAJOR WORKS				
Description of works	2013/14	2014/15	2015/16	2016/17
EXTERNAL IMPROVEMENTS	908,000	810,000	770,000	770,000
INTERNAL IMPROVEMENTS	344,500	432,000	432,000	432,000
PATHS, FENCES & WALLS	100,000	100,000	100,000	100,000
WORKS TO BUILDING FABRIC	237,100	150,000	150,000	150,000
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	1,288,000	2,450,000	100,000	100,000
NON TRADITIONAL PROPERTIES	20,000	-	250,000	250,000
RENEWAL OF HEATING SYSTEMS	335,000	375,000	401,000	616,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	544,100	325,000	325,000	325,000
WINDOWS & DOORS	125,000	125,000	3,000,000	3,500,000
ASBESTOS	75,000	100,000	100,000	100,000
SHELTERED ACCOMMODATION	50,000	80,000	60,000	65,000
NEIGHBOURHOOD WORKS	773,700	400,000	400,000	400,000
DOOR ENTRY SCHEMES	30,000	18,000	18,000	44,000
STRUCTURAL WORKS	100,000	100,000	100,000	100,000
CARBON MONOXIDE DETECTORS	50,000	50,000	-	-
FIRE PROTECTION	234,900	228,000	223,000	223,000
LIFTS	76,000	101,000	181,000	-
SCOOTER STORES	30,000	30,000	30,000	-
INTERNAL COMMUNAL IMPROVEMENTS	100,000	100,000	100,000	100,000
GARAGE IMPROVEMENTS	204,500	100,000	100,000	100,000
CONCRETE REPAIRS	144,500	-	-	-
COMMERCIAL PROPERTIES	15,800	-	-	-
NEW BUILD SITE INVESTIGATION & APPRAISAL	90,300	-	-	-
ST PAULS PHASE 2 TRANSFORMATIONAL IMPROVEMENTS	-	540,000	-	-
SITE ASSEMBLY FOR NEW BUILD	-	600,000	-	-
FEE FOR MANAGING PROGRAMME	455,000	525,000	533,000	545,000
<b>TOTAL BUDGET</b>	<b>6,331,400</b>	<b>7,739,000</b>	<b>7,373,000</b>	<b>7,920,000</b>



**HOUSING REVENUE ACCOUNT - RENTS & CHARGES**

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Dwelling Rents (average)		
48 wk basis	<b>83.97</b>	<b>87.35</b>
52 wk basis	<b>77.51</b>	<b>80.63</b>
Garages (per month)	<b>26.68</b>	<b>27.53</b>
Communal Heating Schemes (52 wk basis)		
Gas		
1 person flat	<b>7.90</b>	<b>7.90</b>
2 person flat	<b>10.65</b>	<b>10.65</b>
Cumming Court		
1 person flat	<b>4.88</b>	<b>4.88</b>
2 person flat	<b>6.71</b>	<b>6.71</b>
Guest Bedrooms (per night)	<b>10.00</b>	<b>10.00</b>

## Service Investment - Progress Statement

Investment Pot	Activity	2013/14	2014/15	2015/16	Total
		Budget £	Budget £	Budget £	Budget £
Welfare Reform	<b>Resources:</b>				
	Benefit and Money Advisor	31,900	32,554	33,543	97,997
	Housing Revenue Officer	16,106	29,001	30,386	75,493
	Additional Employment Initiative Officer	29,068	30,034	30,946	90,048
	Customer Profiling work done by IT	435			435
	Raising Awareness (to include £2k for screens at HWRC & Oakley)	5,000	2,000		7,000
	Information Technology: One-off hardware & on-going maintenance	13,111	5,559	5,448	24,118
	Payment Methods - Review & Implementation	5,000			5,000
	My Move Scheme	35,000	15,000	5,000	55,000
	<b>Total for Welfare Reform</b>	<b>135,620</b>	<b>114,148</b>	<b>105,323</b>	<b>355,091</b>
Enhanced Services For Vulnerable People	<b>Expansion of Community Hubs for Older People</b>				
	Establish 2 community hubs in Sheltered Housing	4,625	12,500	12,500	29,625
	<b>Establishment of Community Hub for People with a Disability</b>				
	1 pilot community hub	2,625	9,000	9,000	20,625
	Activity co-ordinator for community hubs	6,850	28,300	29,200	64,350
	<b>Service transformation plan</b>				
	Service transformation plan	20,000	25,000	15,000	60,000
	<b>Expansion of Employment Services to Tenants</b>				
	Appointment of 3 CBH Apprentices across CBH	1,288	13,437	15,761	30,486
	Training Hub - formal and informal learning	1,950	1,750	2,000	5,700
<b>Other</b>					
Establishment of Youth Café in St Pauls and on-going cost	8,900	8,600	8,600	26,100	
<b>Total for Vulnerable People</b>	<b>46,238</b>	<b>98,587</b>	<b>92,061</b>	<b>236,886</b>	
Partnerships & Communities	<b>Delivery of Services &amp; Projects for Young People :</b>				
	Project to increase young people engagement, skills and aspirations		12,000	12,000	24,000
	<b>Other</b>				
	Cheltenham Open Door	1,124	2,064	1,500	4,688
	Community Investment Grants	-	68,400	64,400	132,800
Digital Inclusion Initiatives	-	17,500	17,500	35,000	
<b>Total for Partnerships &amp; Communities</b>	<b>1,124</b>	<b>99,964</b>	<b>95,400</b>	<b>196,488</b>	
Enabling New Business	<b>Various</b>				
	Trowers & Hamlins Advice	10,000	10,000	10,000	30,000
	New Business Advisor	-	9,450	12,600	22,050
	Housing options and spa lettings	15,288	8,365	-	23,653
	Staff time for existing staff members	49,050	12,845	-	61,895
<b>Total for Enabling New Business</b>	<b>74,338</b>	<b>40,660</b>	<b>22,600</b>	<b>137,598</b>	
	<b>257,320</b>	<b>353,359</b>	<b>315,384</b>	<b>926,062</b>	

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**Cheltenham Borough Council**  
**Treasury Management Panel – 20<sup>th</sup> January 2014**  
**Cabinet – 11<sup>th</sup> February 2014**  
**Council - 14th February 2014**

**Treasury Management Strategy Statement and Annual Investment Strategy 2014/15**

<b>Accountable member</b>	<b>Cabinet Member Finance, Councillor John Rawson</b>
<b>Accountable officer</b>	<b>Director Resources, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>Scrutiny</b>
<b>Ward(s) affected</b>	<b>None</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the public services. To comply with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year.
<b>Recommendations</b>	<p>Treasury Management Panel/Cabinet recommend to Council the approval of the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 at Appendix 2 including :</p> <ul style="list-style-type: none"> <li>• <b>The general policy objective ‘that Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.</b></li> <li>• <b>That the Prudential Indicators for 2014/15 including the authorised limit as the statutory affordable borrowing limit determined under Section 3 (1) Local Government Act 2003 be approved.</b></li> <li>• <b>Revisions to the Council’s lending list and parameters as shown in Appendix 3 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 Capita (formerly Sector) and are prudent enough to ensure the credit quality of the Council’s investment portfolio remains high.</b></li> <li>• <b>For 2014/15 in calculating the Minimum Revenue Provision (MRP), the Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure as per section 21 in Appendix 3.</b></li> </ul>

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

## 1. Background

- 1.1 The CIPFA Code of Practice for Treasury Management in Public Services and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and the Prudential Indicators on an annual basis. The Treasury Management Strategy Statement also incorporates the 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 1<sup>st</sup> April 2004, include provisions relevant to investments. These regulations, together with amendments subsequently made to them (S.I No.534), determine the nature of specific investments, and how they should be treated/accounted for by a local authority. Formal guidance

was revised and issued by the Communities and Local Government (CLG) in 2010.

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

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

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

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

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

## 2.0 Consultation

2.1 The Council’s external treasury advisors, Sector plc, supported the Council in the production of the strategies.

2.2 The strategy is to be approved by the Treasury Management Panel at its meeting on 20<sup>th</sup> January 2014.

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<b>Appendices</b>	Appendix 1 – Risk Assessment Appendix 2 – Treasury Management Strategy Statement & Annual Investment Strategy 2014/15 Appendix 3 – Updated Lending list Appendix 4 - Annual MRP Statement 2014/15
<b>Background information</b>	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
	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 <sup>th</sup> 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 2014	Section 151 Officer Mark Sheldon	

## TREASURY MANAGEMENT STRATEGY 2014/15

### 1. INTRODUCTION

#### 1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the investment reduction of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

CIPFA defines treasury management as:

*“The management of the local authority'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.”*

#### 1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

**Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

**A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.



**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Treasury Management Panel.

## **1.3 Treasury Management Strategy for 2014/15**

The strategy for 2014/15 covers two main areas:

### **Capital issues**

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

## **1.4 Training**

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council has addressed this important issue by providing training sessions for the Treasury Management Panel members on the subject of Treasury Management.

The training needs of treasury management officers are periodically reviewed.

## **1.5 Treasury management consultants**

The Council uses Capita (formerly Sector), as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2014/15 – 2016/17

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2012/13 Actual £000	2013/14 Revised £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
<b>General Fund</b>	6,939	7,211	3,612	1,332	933
<b>HRA</b>	4,742	6,472	5,662	8,864	8,430
<b>Total</b>	<b>11,681</b>	<b>13,683</b>	<b>9,274</b>	<b>10,196</b>	<b>9,363</b>

Other long term liabilities. The above financing need excludes other long term liabilities, such as leasing arrangements which already include borrowing instruments. The authority has no finance leasing arrangements at present.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2012/13 Actual £000	2013/14 Revised £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Total	11,681	13,683	9,274	10,196	9,363
<b>Financed by:</b>					
Capital receipts	513	1,879	100	100	200
Capital grants	405	737	306	306	306
Capital reserves	6,679	7,761	6,128	6,345	6,261
3 <sup>rd</sup> Party Contributions	1,959	436	150	100	100
Revenue	122	1,214	290	3,345	2,496
<b>Net financing need for the year</b>	<b>2,003</b>	<b>1,656</b>	<b>2,300</b>	<b>0</b>	<b>0</b>

## 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes

The Council is asked to approve the CFR projections below:

£000	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	73,482	74,049	75,502	74,532	73,632
<b>Movement in CFR</b>	962	567	1,453	(970)	(900)

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	2,005	1,656	2,300	0	0
Less MRP/VRP and other financing movements	(1,043)	(1,089)	(847)	(970)	(900)
<b>Movement in CFR</b>	<b>962</b>	<b>567</b>	<b>1,453</b>	<b>(970)</b>	<b>(900)</b>

## 2.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

## 2.4 Ratio of financing costs to 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.

%	2012/13 Actual	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
General Fund	3.03%	3.48%	3.42%	3.13%	3.10%
HRA	9.05%	8.43%	8.04%	7.79%	7.58%
<b>Total</b>	<b>6.21%</b>	<b>6.39%</b>	<b>6.17%</b>	<b>5.92%</b>	<b>5.81%</b>

## 2.5 Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

### Incremental impact of capital investment decisions on the band D council tax

£	2012/13 Actual	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
<b>Council tax - band D</b>	NIL	NIL	NIL	NIL	NIL

### For average weekly housing rents

£	2012/13 Actual	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
<b>Housing Rents</b>	NIL	NIL	NIL	NIL	NIL

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

## 3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000	2012/13 Actual	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
<b>External Debt</b>					
Debt at 1 April	72,472	66,424	69,712	71,745	71,374
Expected change in Debt	(6,048)	3,288	2,033	(371)	(431)
<b>Actual debt at 31 March</b>	<b>66,424</b>	<b>69,712</b>	<b>71,745</b>	<b>71,374</b>	<b>70,943</b>
<b>The Capital Financing Requirement</b>	<b>73,482</b>	<b>74,049</b>	<b>75,502</b>	<b>74,532</b>	<b>73,632</b>
<b>Under / (over) borrowing</b>	<b>7,058</b>	<b>4,337</b>	<b>3,757</b>	<b>3,158</b>	<b>2,689</b>

<b>Total investments at 31 March</b>					
Investments	<b>9,181</b>	<b>17,013</b>	<b>11,160</b>	<b>10,090</b>	<b>9,520</b>
Investment change	(556)	7,832	(5,853)	(1,070)	(570)

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Director of Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £'000	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Borrowing	96,000	101,000	100,000	103,000

**The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Authorised Limit £'000	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Borrowing	109,000	111,000	110,790	113,920

### 3.3 Prospects for interest rates

The Council has appointed Capita (formerly Sector) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Capita central view.

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2013	0.50	2.50	4.40	4.40
March 2014	0.50	2.50	4.40	4.50
June 2014	0.50	2.60	4.40	4.40
Sept 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.50	4.60
March 2015	0.50	2.80	4.60	4.70
June 2015	0.50	2.80	4.70	4.80
Sept 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00

March 2016	0.50	3.20	5.00	5.10
June 2016	0.50	3.30	5.10	5.20
Sept 2016	0.75	3.50	5.10	5.20
Dec 2016	1.00	3.60	5.10	5.20
March 2017	1.25	3.70	5.20	5.30

Until 2013, the economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.

A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend.

### 3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

The Council is looking to undertake some long term borrowing during 2014/15 to support Cheltenham Borough Homes in providing new homes within the St Paul's area. This is estimated to be £2.3m.

The Director of Resources will monitor interest rates in the financial markets and adopt a pragmatic approach to changing circumstances.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

### **Treasury management limits on activity**

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

	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



### 3.5 Current Portfolio Position

The Council's treasury debt portfolio position at 31<sup>st</sup> December 2013 comprised:

		<b>Principal</b>	<b>Ave. rate</b>
		£m	%
Fixed rate borrowing	PWLB	41.90	3.76
	Market	<u>15.90</u>	4.00
		57.80m	3.88
Variable rate borrowing	PWLB	0	
	Market	<u>0</u>	
<b>TOTAL DEBT</b>		<u><b>57.80m</b></u>	<b>3.88</b>
<b>TOTAL INVESTMENTS</b>		<b>9.08m</b>	<b>0.58</b>

### 3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### 3.7 Debt rescheduling

The Council will continue to maintain a flexible policy for debt rescheduling. As short term borrowing rates will be considerably cheaper than longer fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt premium repayment. 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 Capita or 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 Capita and discussed with the Council's treasury 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.

## **4. ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Sector ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita, in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

### **4.2 Specified and Non- Specified Investments**

Specified Investments are investments offering high security and high liquidity. The investments will be sterling denominated with maturities up to a revised maximum of one year and meet the minimum 'high' credit rating criteria where applicable. Instruments identified for use in the financial year are listed in table below under the 'specified' and 'non-specified' investments categories.

**SPECIFIED INVESTMENTS**

All 'Specified and Non 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
<b>Debt Management Agency Deposit Facility*</b> (DMADF) <ul style="list-style-type: none"> <li>this facility is at present available for investments up to 6 months</li> </ul>	UNLIMITED	6 months
<b>UK Government Gilts</b>	£2m	2 years
<b>UK Government Treasury Bills</b>	UNLIMITED	1 year
<b>Term deposits</b> with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	£7m	2 years
<b>Term deposits</b> with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year (UK & Non-UK)	£7m	1 year
<b>Money Market Funds</b> with UK/Ireland/Luxembourg domiciled	£1m	1 year
<b>Corporate Bonds</b> held in a broker's nominee account (King & Shaxson Ltd)	£2m	2 years to maturity
<b>T-Bills</b> issued by the DMO (Government)	UNLIMITED	1 year
<b>Certificates of deposit (CD's)</b> issued by banks and building societies covered by UK Government (explicit) guarantee	£7m	2 years

**Non-specified investments** are of greater potential risk and cover deposit periods over one year. Capita continue to maintain the view that, for the time being, clients should look to the short end of the market when making investment decisions and it is the intention of this Council to lend for a maximum period of two years as recommended by Capita. 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.

### 4.3 Creditworthiness policy

This Council applies the creditworthiness service provided by Capita (formerly Sector). This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No colour not to be used

The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A, viability rating of A, and a support rating of 1 for UK banks and a minimum rating of AA- for non-UK banks. Appendix 3 shows the current list in use at the time of this report. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly and upon any adhoc changes. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

#### 4.4 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of **AAA** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 3. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

**Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of unemployment were to prove to be too optimistic.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

2014/15	0.50%
2015/16	0.50%
2016/17	0.75%
2017/18	2.25%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts and money market funds in order to benefit from the compounding of interest.

#### **4.5 Council's Banker**

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

#### **4.6 Annual Minimum Revenue Provision (MRP) Statement**

The annual MRP Statement is disclosed in Appendix 4.

#### **4.7 Balanced Budget Requirement**

The Authority complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

#### **4.8 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.

#### **4.9 Other Items**

#### **4.10 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 Sector or other organisations.

#### **4.11 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.

The Council appointed Capita Asset Services Ltd (formerly known as Sector) as its external advisor in December 2012. They provide us with information, advice

and assistance in all areas of treasury. The Council aims to have a close working relationship with Capita and will be in contact with their advisors on a regular basis (weekly) and daily if necessary. A detailed schedule of services is listed within the contract. The Council recognises that responsibility for treasury management decisions remains with the Council at all times.



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**COUNTERPARTY LIST** Page 2017 January 2014

Country /Domicile	Counterparty	Max CP Limit £m	Max Group Limit £m	Max Duration	Fitch Long-Term Rating
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**UK Financial Institutions:**

UK	Bank of New York Mellon (International) Ltd	7.0	-	12 months	AA-
UK	Barclays Bank Plc	7.0	-	12 months	A
UK	Credit Suisse International	7.0	-	6 months	A
UK	Goldman Sachs	7.0	-	3 Months	A
UK	HSBC Bank Plc (HSBC Group)	7.0	-	12 months	AA-
UK	MBNA Europe Bank	7.0	-	6 months	A-
UK	Santander	7.0	-	3 months	A
UK	Standard Chartered Bank	7.0	-	12 months	AA-
UK	Sumitomo Mitsui Banking Corporation Europe Ltd	7.0	-	3 months	A-
UK	UBS Ltd	7.0	-	6 months	A
UK	Nationwide Building Society	7.0	-	3 months	A
UK	Bank of Scotland (Lloyds Banking Group)	7.0	7.0	12 months	A
UK	Lloyds TSB Bank (Lloyds Banking Group)	7.0	7.0	12 months	A
UK	Nat West Bank (RBS Group)	7.0	7.0	12 months	A
UK	Royal Bank of Scotland (RBS Group)	7.0	7.0	12 months	A
UK	Ulster Bank Ltd (RBS Group)	7.0	7.0	12 months	A-

All the above banks are UK based and are authorised by the FSA

**Others:**

UK	Local Authorities	7.0	-	Non-Specified	-
	Money Market Funds (MMFs)	10% total Investment	-	1 year	-

**Policy Investments:**

UK	Cheltenham Festivals Ltd	0.1		12 months	-
UK	The Gloucestershire Everyman Theatre	0.1		12 months	-
UK	Ubico Ltd (wholly owned LA company - 50/50 CBC & Cotswold DC)	0.5	-	1 year	-
UK	Cheltenham Borough Homes	10		Non-Specified	-
UK	Gloucestershire Airport Ltd - 50/50 CBC & Glos City Council	1.55		10 Years	-

**NON-UK COUNTERPARTY LIST as at 20th January 2014****Sovereign rating AAA**

Country /Domicile	Counterparty	Max CP Limit £m	Max Group Limit £m	Max Duration	Fitch Long-Term Rating
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**Non-UK Financial Institutions:**

Australia	Australia & New Zealand Banking Group Ltd	2.0	2.0	6 months	AA-
Australia	Commonwealth Bank of Australia	2.0	2.0	6 months	AA-
Australia	National Australia Banks Ltd	2.0	2.0	6 months	AA-
Australia	Westpac Banking Corporation	2.0	2.0	6 months	AA-
Canada	Bank of Montreal	2.0	2.0	12 months	AA-
Canada	Bank of Nova Scotia	2.0	2.0	12 months	AA-
Canada	Canadian Imperial Bank of Commerce	2.0	2.0	12 months	AA-
Canada	Royal Bank of Canada	2.0	2.0	12 months	AA
Canada	Toronto Dominion Bank	2.0	2.0	12 months	AA-
Finland	Nordea Bank Finland plc	2.0	2.0	12 months	AA-
Germany	Landwirtschaftliche Rentenbank	2.0	2.0	12 months	AAA
Luxembourg	Clearstream Banking	2.0	2.0	12 months	AA
Singapore	DBS Bank Ltd	2.0	2.0	12 months	AA-
Singapore	Oversea Chinese Banking Corporation	2.0	2.0	12 months	AA-
Singapore	United Oversea Bank Ltd	2.0	2.0	12 months	AA-
Sweden	Nordea Bank AB	2.0	2.0	12 months	AA-
Sweden	Svenska Handelsbanken AB	2.0	2.0	12 months	AA-

**Minimum Credit rating of AA- for Non-UK****Investments:**

Specified Maximum maturity of one year

Non-Specified No maximum

**Annual MRP Statement****Background:**

1. For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the Revenue Account that was initially funded by borrowing.
2. In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31<sup>st</sup> March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations required a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, the Department of Communities and Local Government (CLG) produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.
3. The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by Full Council.
4. The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant. MRP is not required to be charged to the Housing Revenue Account. Where a local authority's overall CFR is £nil or a negative amount there is no requirement to charge MRP.
5. The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and Operating Leases 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 1<sup>st</sup> April 2004. The formula also took into account any reductions possible related to commutation of capital related debt undertaken by central government.
8. The General Fund MRP charge using this method is estimated at £0.360m for 2014/15.

**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 2014/15.

**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 £0.317m for 2014/15.

**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 2014/15.

**Conditions of Use:**

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

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

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

### MRP Policy for 2014/15:

21. It is proposed that for 2014/15 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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**Cheltenham Borough Council**  
**Council – 14 February 2014**

**Appointment of Mayor and Deputy Mayor 2014-15**

<b>Accountable member</b>	Leader, Councillor Steve Jordan
<b>Accountable officer</b>	Chief Executive, Andrew North
<b>Accountable scrutiny committee</b>	n/a
<b>Ward(s) affected</b>	All
<b>Significant Decision</b>	No
<b>Executive summary</b>	<p>Councillor Simon Wheeler 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 – 4 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 2014-2015. Councillor Duncan Smith indicated a willingness to put his name forward as Deputy Mayor subject to no other eligible councillor wishing to do so.</p>
<b>Recommendations</b>	<b>Council note the Order of Precedence in Appendix 2 and that Councillor Simon Wheeler and Councillor Duncan Smith will be put to the Annual Council Meeting for election as Mayor and Deputy Mayor respectively for the municipal year 2014 - 2015.</b>

<b>Financial implications</b>	<p>The allowances for Mayor and Deputy Mayor have been included in the budget proposals for 2014/15.</p> <p><b>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</b></p>
<b>Legal implications</b>	<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><b>Contact officer: Peter Lewis, <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a>, 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>None</p> <p><b>Contact officer: Amanda Attfield, Amanda.attfield@cheltenham.gov.uk, 01242 26 4186</b></p>
<b>Key risks</b>	None



<b>Corporate and community plan Implications</b>	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 and are set out in Appendix J in the Council's Constitution.
- 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 Smith formally declined to have their names put forward for the position of Deputy Mayor.

## 4. Consultation and feedback

- 4.1 Not applicable

<b>Report author</b>	<b>Contact officer:</b> Rosalind Reeves, Democratic Services Manager Rosalind.reeves@cheltenham.gov.uk, 01242 774937
<b>Appendices</b>	1. Rules relating to order of Precedence of Members 2. Order of Precedence
<b>Background information</b>	Council 14 April 2003 and 17 March 2008

**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 31<sup>st</sup> 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.

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  
2014/2015**

<b>Councillor (Mayoral Year)</b>	<b>Date of Election/period of Service of Members who have not yet served as Mayor</b>	<b>Total Service up to end of 2013 - 2014 Municipal Year or where appropriate period since Mayoral year</b>
A McKinlay	1991 -	23 years
S A Jordan	1986-1992, 1994, 1995-1999, 2002	23 years
P D McLain	1996 -	18 years
S J Holliday	1996 -	18 years
D J Smith	1998 -	16 years
D Prince	1994-2008, 2012	16 years
D C Seacome	2000	14 years
M Stennett	2000	14 years
D L Hibbert	Nov 2000	13+ years
N C Britter	2002	12 years
S Wheeler	2002	12 years
C Ryder	1999-2002, Jan 2004-2010, 2013	11 years
A S Wall	2004	10 years
R Hay	2002-2008, 2010	10 years
C Coleman	2002-2008, October 2010	9+ years
P L Hall	2006	8 years
P S Massey	2006	8 years
K Sudbury	2008	6 years *
R Whyborn	2008	6 years *
B Fisher	2008	6 years *
C Stewart	July 2009	4+ years
J Walklett	2010	4 years *
H McCloskey	2010	4 years *
P Jeffries	2010	4 years *
I Bickerton	2010	4 years *
S Williams	2012	2 years *
A Chard	2012	2 years *
T Harman	2012	2 years *
R Reid	2012	2 years *
A Lansley	2012	2 years *
<b>* an asterisk indicates that a ballot was held to determine the order where members had equal service in every other respect</b>		
<b>PREVIOUS MAYORS</b>		
P M Thornton (1996 -1997)	Previous Mayor Councillor 1986-	16 years
L G Godwin (1997-1998)	Previous Mayor Councillor 1991-	15 years
G W Barnes (2003 - 2004)	Previous Mayor Councillor 1976-1983, 1990-1998, 2002	10 years
R E Garnham (2004 – 2005)	Previous Mayor Councillor 1996-	9 years
J Fletcher (2006 – 2007)	Previous Mayor Councillor 1987-1991, 1992-1996, 1999-	7 years
J O Rawson (2007 – 2008)	Previous Mayor Councillor 1980-1987,2004	6 years
A Regan (2010-2011)	Previous Mayor Councillor 1994 - 1998, 2002	3 years
B Driver (2011-2012)	Previous Mayor Councillor 1999 -	2 years
C P Hay (2012-2013)	Previous Mayor Councillor 1991 – 1995, 2006	1 year
W L Flynn (2013-2014)	Current Mayor Councillor 2002-	0

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## Cheltenham Borough Council

**Cabinet – 11 February 2014**

**Council – 14 February 2014**

### The Wilson – Development Project Outturn Briefing Report

<b>Accountable member</b>	<p><b>Councillor Rowena Hay – Cabinet Member for Sport &amp; Culture</b></p> <p><b>Councillor John Rawson – Cabinet Member Finance</b></p>
<b>Accountable officer</b>	<p><b>Grahame Lewis – Executive Director</b></p> <p><b>Mark Sheldon – Director of Resources</b></p>
<b>Ward(s) affected</b>	<b>None directly</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report provides an update on the Art Gallery and Museum Development including a projection of the outturn financial costs and projected funding shortfall.</p> <p>The report outlines the issues with the project leading to an increase in costs, sets out the current position with the main contractor, ISG, and recommends settlement of the final contract sum.</p> <p>The report also covers the overall funding position and makes provision for additional council support in the event that the increased project shortfall is not met by income from outstanding fundraising activity.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. That Cabinet delegates authority to the Executive Director / Director of Resources to settle the contract sum with the main contractor as set out in Appendix 2 (Exempt).</b></li> <li><b>2. That Cabinet supports additional underwriting of the AG&amp;M development project in the sum of £360,000 and recommends to Council that budgetary provision for this be approved.</b></li> </ol>

<b>Financial implications</b>	<p>As outlined throughout the report.</p> <p>At a meeting on 11<sup>th</sup> February 2011, Council agreed to underwrite any shortfall in funding of the Art Gallery &amp; Museum Development scheme up to a maximum value of £922,000. At this stage, the latest estimate of the outturn position suggests that this level of underwriting is insufficient to cover the funding shortfall in project costs by £359,376. As such, Council is requested to set aside a further allocation of capital receipts (from the sale of Midwinter allotments) to increase the amount of underwriting by £360,000 to £1,282,000. The separate budget report to Council for this meeting makes provision for this additional amount.</p> <p><b>Contact officer: Mark Sheldon,</b></p> <p><b>Email: <a href="mailto:mark.sheldon@cheltenham.gov.uk">mark.sheldon@cheltenham.gov.uk</a>,</b></p> <p><b>Tel no: 01242 264123</b></p>
<b>Legal implications</b>	<p>The legal advice in respect of settling the final contract sum is contained in exempt Appendix 2.</p> <p><b>Contact officer: Peter Lewis,</b></p> <p><b>Email: <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a>,</b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no direct HR implications arising from the content of this report.</p> <p>However, moving forward, it is important that capacity is carefully monitored and managed in respect of any new or additional fund raising work-streams that are embarked upon to mitigate the budget shortfall.</p> <p><b>Contact officer: Julie McCarthy,</b></p> <p><b>Email: <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a>,</b></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	<p>Advice on legal risk is set out in exempt Appendix 2.</p>

## 1. Background

### 1.1 Project Summary

In 2007, a RIBA Open Design Competition was launched for the procurement of a design / design team for the building of a new extension and the refurbishment of the existing 1989 extension and No. 51 Clarence Street. The total project costs for the Development Scheme were estimated at £6.3 million – and included estimated costs for construction, professional fees, surveys and fixtures / fixings etc.

The project was in response to a report by David Pratley Associates (commissioned by the Council and Arts Council, England) that endorsed proposals to re-develop the Art Gallery & Museum – based on two previous schemes - and a long-held ambition to utilise / develop the footprint of the current site. The brief asked for an iconic and outstanding building that complimented the surrounding historical and conservation area, as well as acknowledging the significance of the collections within a regional, national and international context. Set against

this background - and the complexities of extending new buildings to adjoining listed buildings – the project team realised from the start that it was going to be a complicated and difficult project to bring to fruition. This has led to delays, increased project costs and, since fund raising activity is still underway, a shortfall in funding at this stage.

- 1.2** The Wilson successfully re-opened to the public on 5th October 2013, with the launch of an exciting exhibitions and events programme – starting with Casting Brilliance, by Colin Reid and The Times, Newseum and now currently showing Embrace and (soon to be unveiled) Rodin's The Kiss. During this period there has been a huge increase in visitor numbers – which have far exceeded initial expectations - from 27,413 in the first month (October) to 77,539 by the end of January 2014. Previous numbers to the Art Gallery & Museum were 75,000 for the last full year (prior to closure) in 2010, and similarly 72,000 to the Tourist Information Centre. There has also been an increase in enquiries for group tours and school bookings.
- 1.3** It is envisaged that there will be a significant increase in general growth of tourism as a direct result of the facility opening. A number of PR campaigns linked to the current exhibitions programming, and promoting Cheltenham as a tourist destination, will be launched throughout 2014. For example, the return of Rodin's The Kiss (after 80 years) and the 100 centenary of Rodin's residency in Cheltenham is being used as the basis of the Embrace Cheltenham campaign – promoting the opening of The Kiss, but also linking into other 'Valentine' events throughout the town, as well as directly promoting accommodation, retail and food / drink businesses within Cheltenham.

## **2. Financial outturn / fund raising position**

- 2.1** The Council approved the scheme to move forward, and to secure funding for the project, a fundraising campaign was launched in early 2008 (with a base-line budget of £500,000, from the proceeds of the sale of the Axiom Centre). By mid-2008, this amount had increased to £3,250,000 (when the Council match-funded a further £2 million against a grant offer from the Summerfield Trust of £750,000) and by 2010, the fundraising campaign had levered in a total of £4,550,000. In March 2011, following a successful grant application to the Heritage Lottery for £750,000, the Council agreed to underwrite the outstanding amount of £922,000 – thus enabling the closure of the Art Gallery & Museum and the project to formally commence.
- 2.2** In July 2011, ISG (South West division) were awarded the main construction contract through a formal procurement exercise. The contract price came in at £3,730,000, for a 60-week build programme, and a hand-over date of 4th October 2012. This was subsequently extended to 62 weeks (following a two-week delay during the ground work investigations), with a revised hand-over date of 25th October 2012. We also assigned a construction contingency of £600,000 – elevating the forecast expenditure for the main construction to £4,330,003. By April 2012, the project was in further delay - this was initially due to problems on the construction of the concrete frame, but there were also technical challenges with certain elements of the construction, particularly the design and installation of the Brise Soleil – and consequently, the date for the re-opening was extended to the 5th October 2013 (allowing for the commencement of the re-canting and the installation of fixtures / fittings).

### **2.3 Construction Final Account**

Following the re-opening, AECOM were asked to undertake an options / risk appraisal towards a



potential settlement with and subsequently a Final Account Options Appraisal was tabled at the Executive Board on 28<sup>th</sup> November 2013. Following discussions, the Board requested that AECOM progress the conclusion of the Final Account with ISG. The information received from AECOM is referred to in Appendix 2 (exempt). Cabinet is being recommended to authorise the Executive Director/Director of Corporate Resources (both with equal authority) to settle the final contract sum with the contractor as set out in Appendix 2 (exempt).

### **2.4 Additional Works Final Account**

Outside of the main contract for construction works with ISG, procurement commenced from April 2013 for an additional contractor to undertake the internal fitting-out works for the café, corporate spaces / meeting room, shop and rooms within No. 51. It was always proposed from the beginning of the development scheme to operate a separate contract and programme of works for these areas, as we realised early in the campaign that fundraising was unavailable for the refurbishment and fitting-out of commercial spaces, and therefore capital would need to be sourced directly from the Council.

The Additional Works were scheduled to start from 15th July 2013 – but due to delays on the agreed partial handover of the above areas from ISG, the work was delayed, and the project actually commenced on site from 22nd July 2013. The works were completed in time for the opening; however snagging is still being undertaken in a number of areas.

The Final Account with The Hub is currently being finalised by the Project QS, and therefore any reported figures are forecasts only.

### **2.5 Other Project Accounts**

These include the expenditure for surveys, professional fees (i.e. the architects, quantity surveyor, structural engineer, mechanical engineer and project management) and the de-canting / re-canting of the collections – including the interior fixtures and fittings for the galleries and stores.

**2.6** A summary of the overall forecast final cost, including additional works contract, compared with the awarded contract can be found at Appendix 2 (Exempt).

## **3. Financial outturn / fund raising position**

### **3.1 Outstanding Items**

These include the following:

- The Final Account Agreement Settlement will need to be formally agreed and the letter signed;
- Final Account to be agreed with The Hub and final outturn for the Additional Works programme to be finalised and signed-off;
- Final figures to be determined in relation to the fitting-out / re-canting budgets / professional fees.

## **4. Future Fundraising Proposals**

**4.1** A fundraising campaign was successfully launched in spring 2008 to raise a target amount of £6.3 million for the Art Gallery & Museum development scheme, *Building for a New Future*. To

date, a total amount of £5,403,741 has been raised through a combination of direct capital funding from the Council, grants from major charitable trusts, donations from the Friends group and partnership funding – including a grant award from the Heritage Lottery.

- 4.2** A key aspect of the campaign was the creation of a fundraising charitable ‘arm’, the CAG&M Development Trust, which enabled the campaign to seek funding from other major charitable organisations, not normally open / or accessible to applications from local authorities. The grant from the Heritage Lottery Fund was also a significant award, as it included a caveat that the Council would underwrite up to £922,000 for the fundraising target to reach £6.3 million, and this subsequently enabled the project to commence from April 2011. It was always proposed to continue fundraising to cover this shortfall, and particularly now that the new building has successfully re-opened with a significant increase in visitor numbers and an exciting exhibitions and events programme scheduled for 2014 /2015 – therefore an updated fundraising campaign will be launched from spring / summer 2014 to spring 2015.

Action	Timescale
Creation of a branding and strapline for the campaign – to effectively ‘sell’ the ethos of supporting the campaign, and the benefits of the new building (through enhanced access for everyone to the new galleries, open stores / collections and visitor facilities)	By 28/02/14
Explore the potential of aligning the shortfall campaign to the Museum Phase II re-development, Galleries, Stories & Spaces	By 28/02/14
Research and identification of funding grant application prospects – revise existing funding database and draw-up Gift Table	By 28/03/14
Develop the Fundraising Mix – through a variety of individual ‘Patrons’ / public giving campaigns and corporate sponsorship deals for named areas within the galleries and visitor areas	By 07/04/14
Launch of fundraising campaign and events	From 21/04/14
Start of PR and marketing campaign	From 21/04/14
Develop ‘advocacy’ partnerships – linked to the launch of the campaign	From 05/05/15
Review on progress of the campaign and re-align / revise the Gift Table and Fundraising Mix	From 30/09/14
Refresh research and identification of funding grant application prospects	From 30/09/14
Devise and launch new / fresh campaign events where appropriate	From 31/10/14

**5. Audit Review**

5.1 A piece of work has been commissioned for internal audit to identify any weaknesses in the control, monitoring and approval mechanisms supporting this project and to understand how the Council might have been better informed about the likely cost overrun thus giving us an opportunity to take corrective action. This work will be important for building in to future construction projects. The report of internal audit will be submitted for consideration by Audit Committee.

**6. Reasons for recommendations**

6.1 The existing funding allocation is insufficient to finance the current estimated project costs.

**7. Alternative options considered**

7.1 Fundraising activity is still being pursued and may, ultimately, reduce the council's funding requirements.

**8. Consultation and feedback**

8.1 Group Leaders have been briefed on this issue.

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

9.1 Ongoing monitoring of the outturn by the project team will continue until the final account is settled.

<b>Report author</b>	<b>Contact officer: Grahame Lewis,</b> <b>Email: <a href="mailto:grahame.lewis@cheltenham.gov.uk">grahame.lewis@cheltenham.gov.uk</a>,</b> <b>Tel no: 01242 264312</b>
<b>Appendices</b>	1. Risk Assessment 2. Project Costs, Legal Advice and Risk (exempt)

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Council does not fully identify and mitigate the increased costs on the Art Gallery and Museum project (The Wilson) then there could be a significant financial impact on the budget project costs.	Grahame Lewis (Executive Director)	05/02/14	3	5	15	Reduce	Identify and agree the final costs in relation to the fitting-out / re-canting budgets / professional fees.  To deliver additional income streams through the proposed fundraising campaign.		Jane Lillystone (Museum Arts & Tourism Manager)  Andrew North (Chief Executive) / Mark Sheldon (Director of Resources)  Jane Lillystone (Museum Arts & Tourism Manager)	
	If Cabinet / Council do not approve the additional underwriting of the AG&M development project in the sum of £360,000 then there could be unmet project costs and significant legal exposure if the matter was to proceed to litigation.	Grahame Lewis (Executive Director)	05/02/14	2	3	6	Reduce	To recommend to Cabinet / Council that it approves the additional underwriting.  To continue to negotiate a settlement of the outstanding sum at an agreed figure and thereby avoid costly litigation.		Grahame Lewis (Executive Director) / Director of Resources	
	If the Council does not	Grahame	05/02/14	3	4	12	Reduce	To prepare a		Jane	

	mitigate the increased costs on the Art Gallery and Museum project (The Wilson) then there could be a significant impact upon the council's reputation in terms of its ability to effectively manage major project costs.	Lewis (Executive Director)						communications strategy to reflect the decision by Cabinet and Council.		Lillystone	
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**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6  
(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

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

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