



# CHELtenham

## BOROUGH COUNCIL

### Notice of a meeting of Cabinet

**Tuesday, 16 December 2014  
6.00 pm**

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

<b>Membership</b>	
<b>Councillors:</b>	Steve Jordan, John Rawson, Rowena Hay, Peter Jeffries, Andrew McKinlay, Jon Walklett and Chris Coleman

### Agenda

	<b>SECTION 1 : PROCEDURAL MATTERS</b>	
<b>1.</b>	<b>APOLOGIES</b>	
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	
<b>3.</b>	<b>MINUTES OF THE LAST MEETING</b> The minutes of the meeting held on 9 December 2014 will be approved at the January 2015 meeting of Cabinet.	
<b>4.</b>	<b>PUBLIC AND MEMBER QUESTIONS AND PETITIONS</b> These must be received no later than 12 noon on the fourth working day before the date of the meeting	
	<b>SECTION 2 :THE COUNCIL</b> <i>There are no matters referred to the Cabinet by the Council on this occasion</i>	
	<b>SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEE</b> <i>There are no matters referred to the Cabinet by the Overview and Scrutiny Committee on this occasion</i>	
	<b>SECTION 4 : OTHER COMMITTEES</b> <i>There are no matters referred to the Cabinet by other Committees on this occasion</i>	
	<b>SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS</b>	
<b>5.</b>	<b>GENERAL FUND REVENUE AND CAPITAL-INTERIM</b>	(Pages

		<b>BUDGET PROPOSALS 2015/16 FOR CONSULTATION</b> Report of the Cabinet Member Finance	1 - 30)
6.		<b>HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL REVISED BUDGET 2015/15 AND INTERIM BUDGET PROPOSALS 2015/16 FOR CONSULTATION</b> Report of the Cabinet Member Finance	(Pages 31 - 46)
7.		<b>A 2020 VISION FOR JOINT WORKING</b> Report of the Leader	(Pages 47 - 92)
		<b>SECTION 6 : BRIEFING SESSION</b> • Leader and Cabinet Members	
8.		<b>BRIEFING FROM CABINET MEMBERS</b>	
		<b>SECTION 7 : DECISIONS OF CABINET MEMBERS</b> Member decisions taken since the last Cabinet meeting	
		<b>SECTION 8 : ANY OTHER ITEM(S) THAT THE LEADER DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	

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## Cheltenham Borough Council

### Cabinet – 16<sup>th</sup> December 2014

#### General Fund Revenue and Capital - Interim Budget Proposals 2015/16 for Consultation

<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 sets out the Cabinet’s interim budget proposals for 2015/16 for consultation. The budget projections have been prepared before the December settlement announcement which is not expected until week commencing 15<sup>th</sup> December 2014.</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £187.12 for the year 2015/16 (a 0% increase based on a Band D property).</b></li> <li><b>2. Approve the growth proposals, including one off initiatives at Appendix 3, for consultation.</b></li> <li><b>3. Approve the proposed capital programme at Appendix 6, as outlined in Section 7.</b></li> <li><b>4. Delegate authority to the Director of Corporate Resources, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.</b></li> <li><b>5. Seek consultation responses, including responses to potential wider investment priorities, by 26<sup>th</sup> January 2015.</b></li> <li><b>6. Note that the Council will remain in the Gloucestershire business rates pool for 2015/16 (para 2.7)</b></li> </ol>

<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>This report proposes an interim budget for consultation purposes and there are no specific legal implications at this stage.</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 received a budget briefing at the Joint Consultative Committee on 23<sup>rd</sup> October 2014. Dialogue with the recognised trade unions will continue in order to ensure that the potential impact on employees is kept to a minimum and in doing so help to avoid the need for any compulsory redundancies. The Council's policies on managing change and consultation 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><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail:</b> julie.mccarthy@cheltenham.gov.uk</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 interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.</p>
<p><b>Environmental and climate change implications</b></p>	<p>The draft budget contains a number of proposals for improving the local environment, as set out in this report.</p>

## **1. Background**

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which are 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 2015. This report sets out the interim proposals for 2015/16.
- 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 50% 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.

## **2. Finance and significant changes to Local Government Finance**

- 2.1 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.
- 2.2 On 5<sup>th</sup> February 2014, the Local Government Minister announced the illustrative local government settlement for 2015/16 which equated to a further grant reduction in cash terms of £0.835 million or 15.3%.
- 2.3 This means that since 2009/10, the Council's core funding from the Government has been cut by some £5 million, from £8.8 million to £3.8 million (this excludes council tax support funding which transferred into the settlement funding assessment in 2013/14).
- 2.4 On 3rd December 2014, the Chancellor will make his Autumn Statement. This key announcement will provide an update on the current state of public finances and the latest economic forecasts from the Office of Budget Responsibility. In recent years the Chancellor has announced changes that either reduce or alter local government funding amounts. Any significant changes, though they are not reflected in this report, will be presented at the Cabinet meeting on 16th December 2014.

### **Business Rate Retention and Pooling**

- 2.5 The Business Rates Retention Scheme was introduced on 1st 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 Council's 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.
- 2.6 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.
- 2.7 The Gloucestershire Chief Finance Officers have monitored the financial performance of the Business Rates Pool during 2013/14 and the first six months of 2014/15. As previously reported, the performance of the Pool exceeded expectations in 2013/14, and at the time of writing this report, the performance of the Pool is still expected to generate an overall surplus for 2014/15. However, the final 2014/15 position will not be known until the summer of 2015 when the final

out-turn position is declared for each Gloucestershire billing authority. The Chief Finance Officers are satisfied that the Pool remains viable in its current form and that sustainable surpluses from the Pool will contribute towards the savings targets identified in future years.

### **New Homes Bonus (NHB)**

- 2.8** The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provides £1,467 for each new property for six years (based on national average for band D property – i.e. £8,800 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 2.9** Funding is not ring-fenced and is designed to allow the ‘benefits of growth to be returned to communities’. Funding is split 80:20 between district and county authorities, although it is now recognised that the funding from this scheme comes from top sliced Revenue Support Grant (RSG), which will reduce significantly over the coming years to compensate for the NHB payments.
- 2.10** The value of NHB to the Council in 2015/16 has been estimated at £1,539,200 and the final value will be confirmed within the final budget proposals presented to Council in February 2015.

### **Parish Council Support Grant**

- 2.11** The Local Council Tax Support (LCTS) 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 tax yield 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.
- 2.12** For 2013/14 and 2014/15, 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, once again it is not proposed to pass on any reductions in 2015/16.

### **Council Tax**

- 2.13** The Localism Act 2011 introduced a power to the Secretary of State for Communities and Local Government to issue principles that define what should be considered as an excessive council tax increase and to set limits. Any council that wishes to raise its council tax above the limit will have to hold a referendum, the result of which will be binding. The proposed limit for the last two financial years has been set at 2%.
- 2.14** For the past four years the Council has frozen its council tax precept at £187.12 a year for a Band D taxpayer. In other words, no increase has been imposed since 2010. Maintaining this council tax freeze has not been easy, bearing in mind the pressures on our finances that we have endured in the meantime. However, in proposing this course of action, the Cabinet has borne in mind the difficult economic and financial climate that many of our residents face.
- 2.15** The continuation of the council tax freeze in 2015/16 will avoid adding to the financial burden of

residents, many of whom are still facing difficult financial circumstances. Currently the Government is offering councils roughly half the cost of freezing council tax in 2015/16 (estimated to be £74,000), when compared with increasing council tax by 2%. Furthermore, 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.

### **Collection Fund**

- 2.16** At this point in time, it is estimated that the Council's share of the Collection Fund surplus for 2014/15 is £50,000. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates and the Council's actual share will be confirmed within the final budget proposals presented to Council in February 2015.

### **3. The Cabinet's general approach to the 2015/16 budget**

- 3.1** In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs. The Cabinet's aim is to hold down council tax as far as possible, while also protecting frontline services.
- 3.2** The Cabinet's budget strategy for 2015/16, approved at a meeting on 14<sup>th</sup> October 2014, included an estimate of £0.902m for the 2015/16 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 15.3% cut in government support
- 3.3** The final assessment of the budget gap for 2015/16, based on the detailed budget preparation undertaken over recent months and the assumed financial settlement is £1.036m which takes into account the following variations:
- A further year's freeze in council tax in 2015/16
  - A further year's freeze in car parking charges
- 3.4** The key aims in developing the approach to the budget were to:
- Do everything possible to protect frontline services without the need to increase council tax
  - Identify savings that can be achieved through reorganisation of service delivery or raising additional income rather than through service cuts
- 3.5** In preparing the interim budget proposals, the Cabinet and officers have:
- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or 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 3.
  - Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
  - Budgeted for pay inflation at 1.2% for 2015/16 over and above the 2014/15 base.
  - Increased income budgets assuming an average increase in fees and charges of 2.0%, 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 and Lifeline charges. The costs have been shown as growth within the interim budget proposals.
  - Taken the decision last October to increase green waste charges by £1 to £38 per annum from

February 2015. Those residents taking advantage of the discount for prompt renewal will benefit from an 'early bird' discount and pay just £36.

- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.
- 3.6** As in previous years, the budget for the coming year is the result of a great deal of activity and hard work by officers and members all through the year. 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 2015/16, which are the result of this work, are detailed in Appendix 4, split into:
- Decisions already made by Council totalling £424,300.
  - Proposals yet to be agreed by Council which are not built into the base budget, totalling £612,000. They comprise £262,000 of efficiency savings and additional income and an additional contribution from New Homes Bonus (NHB) of £350,000 to support the base budget.
- 3.7** 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.
- 3.8** 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 £1,050,000, which is 68% of the total expected income in 2015/16 of £1.539m. It is proposed that the remainder should be earmarked for one off or time-limited spending, kept in reserve or put towards this Council's contribution to the 2020 Vision Programme.
- 3.9** The proposed one-off uses of New Homes Bonus income include: £50k to support the well-liked and very effective Community Pride.
- 3.10** 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.

## **4. Treasury Management**

- 4.1** Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 4.2** The Bank of England remain cautious in raising the Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in the Bank Rate is expected in Quarter 2 of the 2015/16 financial year and they expect increases after that to be at a slow pace. With this in mind, for 2015/16 interest payable will increase by £13,100 and interest receivable will increase slightly by £18,600. As a result, the net impact on the 2015/16 budget is an increase in net treasury income of £5,500.

## **5. Longer term planning: the 2020 Vision**

- 5.1** A separate report (2020 Vision) is being considered on the agenda for this meeting. 2020 is one



of the means by which this Council could bridge the medium term funding gap which still remains, despite several years of budget savings and intensive cost-cutting.

- 5.2** 2020 Vision represents an ambitious model for how four councils can work together more effectively, whilst each retaining their own decision-making powers, political independence and identity. Through joined-up working the aim is to create new shared staffing and management arrangements, to deliver high quality services and to generate savings potentially amounting to some £5.2 million per annum to be shared by the partner authorities.
- 5.3** The Government has welcomed the 2020 Vision and has made a total of £3.8 million available to the four partner councils to assist with the development costs. However, given that a number of the savings proposed in future years arise from organisational changes which may require one-off sums to cover the costs of redundancy and early retirement, there are likely to be additional costs estimated at £1.095m spread over five years. Should the Council proceed with this initiative, it is proposed to fund these costs from the New Homes Bonus and part use of the interest equalisation reserve, set aside to deal with the impact of the Icelandic banks, which is no longer required.

## **6. Reserves**

- 6.1** Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon “the robustness of the estimates and the adequacy of the reserves for which the budget provides”. This review forms part of the formal budget setting report presented to Council in February 2014. In the meantime, a projection of the level of reserves to be held at 31st March 2015 and 31st March 2016 respectively is detailed in Appendix 5.
- 6.2** The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. Should the Council proceed with the 2020 programme, it may be necessary to do this to help towards the development and other costs.

## **7. Capital Programme**

- 7.1** An interim capital programme for the period 2015/16 to 2018/19 is set out at Appendix 6.
- 7.2** The programme includes provisional sums for infrastructure investment to be funded from the Civic Pride reserve and the construction of new homes 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.
- 7.3** Looking more broadly at how the Council can use its capital programme to improve the town, the sale of North Place and Portland Street car parks during 2013/14 has released substantial additional capital. A list of potential infrastructure investment projects across the town has now been developed in consultation with the Budget Scrutiny Working Group, aimed at achieving our aspirations for a vibrant, beautiful and prosperous town.
- 7.4** The Cabinet wishes to use the opportunity afforded by the budget consultation to engage the residents of Cheltenham in the discussion of what our wider investment priorities should be. The list of potential capital projects is therefore published as Appendix 7 of this interim budget. .

## **8. Property Maintenance Programme**

- 8.1** The interim budget proposals do not include the 2015/16 property maintenance programme as the detail is still being finalised. However the budget includes a revenue contribution of £700k to planned maintenance. The approach to planning for and funding of the planned maintenance programme is being reviewed in the preparation of the council’s Asset Management Plan and Capital strategy which is being updated following recent condition surveys and developed to

include an equipment replacement programme. The resultant planned maintenance programme will be reviewed by the Asset Management Working Group in January 2015 and the recommendations, including funding proposals, will be built into the final budget proposals in February 2015.

### **9. Reasons for recommendations**

9.1 As outlined in the report.

### **10. Alternative options considered**

10.1 The Cabinet has considered many alternatives in arriving at the interim budget proposals. Opposition groups will be able to suggest alternative budget proposals for consideration by Council in February 2015.

### **11. Consultation and feedback**

11.1 The formal budget consultation on the detailed interim budget proposals will be over the period **17<sup>th</sup> December 2014 to 26<sup>th</sup> January 2015**. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2015 and any comments will be fed back to the Cabinet.

11.2 Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to consider their full implications and to be built into the budget. Accordingly, if alternative budget proposals are to come forward, this should happen as early as possible.

11.3 All comments relating to the initial budget proposals should be returned to the GO Shared Services Head of Finance by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the council's website. Comments can be e-mailed to [moneymatters@cheltenham.gov.uk](mailto:moneymatters@cheltenham.gov.uk).

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

12.1 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.

12.2 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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<p><b>Appendices</b></p>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Summary net budget requirement</li> <li>3. Growth</li> <li>4. Savings / additional income</li> <li>5. Projection of reserves</li> <li>6. Capital programme</li> <li>7. Potential wider investment priorities.</li> </ol>
<p><b>Background information</b></p>	<ol style="list-style-type: none"> <li>1. MTFS 2012/13 – 2017/18</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 council continues to deliver savings and additional income from its Bridging the Gap (BtG) programme which includes targets for commissioning projects based on approved business cases. The Cabinet are developing a budget strategy which identifies longer term savings, including those from the 2020 vision programme, for closing the MTFS funding gap.	ongoing	Director of Corporate Resources	26 January 2011
1.02	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	Mark Sheldon	15 December 2010	3	3	9	R	Robust forecasting is 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. A reserve is in place to manage to potential impact of the temporary closure of North Place car park.	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	Jane Griffiths	15 December 2010	3	3	9	R	As part of the delivery of the BtG / commissioning programmes a clear communication strategy	ongoing	Communications team to support the BTG programme	

	its financial position and clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.							is in place. In adopting a commissioning culture the council is basing decisions on customer outcomes which should address satisfaction 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 initiatives adopt sound project management guidelines with clear business case and risk logs to be developed. Savings / Benefit realisation plans are reviewed.	Ongoing	Deputy Chief Executive	
1.05	If the council does not carefully manage the commissioning of services then it may not have the flexibility to make additional savings in the MTFS 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 including post 2015 election changes and adjust future budgets for any significant variances.	Ongoing	Director of Corporate Resources	

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## NET GENERAL FUND BUDGET 2014/15

<b>GROUP</b>	<b>2014/15 ORIGINAL</b>	<b>2015/16 ORIGINAL</b>
<b>Projected cost of 'standstill' level of service</b>	<b>£</b>	<b>£</b>
Commissioning	3,963,460	3,993,370
Environment & Regulatory Services	2,726,270	3,043,720
Wellbeing & Culture	3,519,700	1,724,600
Resources	4,354,145	5,822,745
Strategic Directors	1,705,450	1,466,650
Pensions auto-enrolment provision	100,000	
Savings from vacancies	(450,000)	(350,000)
Bad debt provision	40,000	40,000
	<b>15,959,025</b>	<b>15,741,085</b>
Capital Charges	(1,886,400)	(1,886,400)
Interest and Investment Income	327,800	322,300
Use of balances and reserves	296,447	522,847
Proposed Growth recurring - Appendix 4		133,300
Savings / Additional income identified - Appendix 5		(686,300)
Additional New Homes Bonus to support base budget		(350,000)
<b>NET BUDGET</b>	<b>14,696,872</b>	<b>13,796,832</b>
<b>Deduct:</b>		
Revenue Support Grant	(2,920,874)	(2,096,362)
National Non-Domestic Rate	(2,321,651)	(3,429,647)
National Non-Domestic Rates - S31 Grants	(1,008,103)	
New Homes Bonus	(1,030,000)	(730,000)
Specific Grant in lieu of council tax freeze 2014/15	(73,063)	
Specific Grant in lieu of council tax freeze 20145/16		(74,000)
Less: Grant allocated to Parishes (council tax support)	10,269	10,269
Collection Fund Contribution	(47,200)	(50,000)
	<b>(7,390,622)</b>	<b>(6,369,740)</b>
<b>NET SPEND FUNDED BY TAX</b>	<b>7,306,250</b>	<b>7,427,092</b>
<b>Council Tax income assuming increase of 0 %</b>	<b>7,306,250</b>	<b>7,427,092</b>
<b>Funding Gap</b>	<b>0</b>	<b>0</b>
Band 'D' Tax	£187.12	£187.12
Increase per annum		£0.00
Increase per week		£0.00
% Rise		0.0%
Gross Collectable Tax Base	39,540.10	40,194.00
Collection Rate %	98.75%	98.75%
Net tax base	39,045.85	39,691.58
Rounded tax base for calculation purposes	39,045.80	39,691.60

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PROPOSALS FOR GROWTH

APPENDIX 3

Ref	Division	Project Name	Description	Revenue Costs				Capital Costs
				2015/16	2016/17	2017/18	2018/19	2015/16
				£	£	£	£	£
<b>SUPPORTED GROWTH</b>								
	Regulatory and Environmental services	Car parking	Freeze car parking charges for 2015/16	63,700	63,700	63,700		
	Regulatory and Environmental services	Cemetary and crematorium	Budget for abatement levy at the crematorium pending the implementation of a solution for mercury abatement	50,000	50,000	50,000		
	Regulatory and Environmental services	Lifeline alarms	Freeze lifeline charges for 2015/16	3,700	3,700	3,700		
	Resources	ICT	Additional line rental costs as a result of the network upgrade links between CBC sites	13,400	13,400	13,400		
	Resources	Customer Services - Automated Telephone Payment (ATP) line conversion	Annual additional line costs as a result of the conversion from 0845 number to 0300 (low cost number) in response to EU Directive for public bodies	2,500	2,500	2,500		
	Cheltenham Development Task Force (CDTF)	Town centre Public realm improvements	Additional maintence cost of enhanced public realm - council supported investment of £561k in October 2014		2,000	5,000		
				<b>133,300</b>	<b>135,300</b>	<b>138,300</b>	-	
<b>SUPPORTED GROWTH (FUNDED FROM NEW HOMES BONUS)</b>								
	Commissioning	Community Pride	Community Pride 'bidding' budget for allocation in 2015/16	50,000				
	Ubico	Material bulking plant	'One off' set up cost of creating the materials bulking plant at the central Depot required to deliver revenue saving	5,000				
	Commissioning	BtG Initiatives	One off investment to match fund the DCLG allocation of £2.9m for 2020 partner councils. This will fund an investment programme of £7.8m required to deliver partnership savings estimated as potentially £5.2m annually of which CBC's share is estimated to be £1.32m per annum. If the council chooses not to proceed with 2020 Vision, this money is likely to be required to fund other kinds of structural change or decommissioning of services.	400,000	200,000	200,000	150,000	
				<b>455,000</b>	<b>200,000</b>	<b>200,000</b>	<b>150,000</b>	-

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Ref	Division	Project Name	Description	Revenue Costs				Capital Costs
				2015/16	2016/17	2017/18	2018/19	2015/16
				£	£	£	£	£
<b>SUPPORTED ONE OFF GROWTH (FUNDED FROM HOMELESSNESS RESERVE)</b>								
	Commissioning	Community sector grant	3 year contract, subject to annual review, with Cheltenham Housing Aid Centre (CHAC)	22,000	22,000	22,000		
<b>SUPPORTED GROWTH (FUNDED FROM CAPITAL RESERVE/RECEIPTS)</b>								
	Ubico	Material bulking plant	Maximum Budget provision for acquisition cost of creating the materials bulking plant at the central Depot required to deliver annual revenue saving of £92k.					See EXEMPT Appendix
	Capitalisation costs of Uniform database	Planning	Financing of up front cost of the planning business system (Uniform) upgrade cost which delivers a saving in annual software costs of c£35,700 p.a.(£178,500) over the next 5 years.	104,000				
				<b>104,000</b>	-	-	-	-

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BRIDGING THE GAP STRATEGY							
	Approved Savings	2014/15	2015/16	2016/17	2017/18	2018/19	Total
MTFS Gap		1,409,200	1,036,300	1,287,590	672,170	648,571	3,644,631
<b>Total Current MTFS Funding Deficit</b>		<b>1,409,200</b>	<b>1,036,300</b>	<b>1,287,590</b>	<b>672,170</b>	<b>648,571</b>	<b>3,644,631</b>
<b>Organisational changes</b>							
Staff restructures							
- Customer services / facilities management re-organisation		34,300					0
Built Environment Management Restructure		12,100					0
Senior Management Team review	*	156,400	43,600				43,600
<b>Shared Services</b>							
Additional waste target			45,400				45,400
Efficiency gain on procurement							
- GOSS re-tendering of banking arrangements			5,000	10,000			15,000
<b>Commissioning</b>							
L&C Review - trust savings	*	125,900	284,400	231,500	150,500	43,000	709,400
ICT Review - per business case to Cabinet 11/12/12	*	121,300	80,000				80,000
ICT Review - server room rationalisation / infrastructure savings	*	31,000	7,000				7,000
Ubico		117,000					
Green Environment		20,000					
Public Protection & Private Sector Housing Review			155,600				155,600
Central Depot Bulking Facility			46,000	46,000			92,000
Joint Management Unit for Waste					100,000		100,000
<b>Income</b>							
Planning fee income rise 15%							
BRR additional income through pooling				50,000	50,000		100,000
BRR additional income through growth above 3%				100,000	100,000		200,000
Fees & Charges Review inc. concessions				30,000			30,000
<b>Asset Management</b>							
Remove annual increase contribution to Programme Maintenance Reserve							
Rationalisation of asset portfolio					30,000		30,000
Accommodation Strategy				100,000		100,000	200,000
<b>Other</b>							
Supplies & services savings							
1. Corporate training budget	*	2,000					0
2. LGA - reduced membership costs	*		300				300
3. Target saving		10,000	10,000				10,000
Additional recharge to HRA / CBH post HRA reform & revision to SLAs							0
Reduction in Everyman Grant	*	5,000	5,000				5,000
Reduction in grant to Oakley & Hesters Way Regeneration Partnerships	*	4,000	4,000				4,000
Reduction in revenue contribution to capital outlay (RCCO)		200,000					0
Use of NHB to support Base Budget		450,000	350,000				350,000
Cheltenham Borough Homes contribution to Community Development		64,400					0
<b>Efficiency savings Target yet to be identified</b>		<b>55,800</b>		<b>720,090</b>	<b>241,670</b>	<b>505,571</b>	<b>1,467,331</b>
<b>Total Savings/Income over MTFS</b>		<b>1,409,200</b>	<b>1,036,300</b>	<b>1,287,590</b>	<b>672,170</b>	<b>648,571</b>	<b>3,644,631</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

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	<u>Purpose of Reserve</u>	<u>31/3/14</u>	<u>2014/15</u>	<u>2014/15</u>	<u>2014/15</u>	<u>31/3/15</u>	<u>2015/16</u>	<u>2015/16</u>	<u>Proposals</u>	<u>2015/16</u>	<u>31/3/16</u>
			<u>Movement</u>	<u>Reserve</u>	<u>Movement</u>		<u>Movement</u>	<u>Reserve</u>	<u>to Support</u>	<u>Movement</u>	
		£	<u>Revenue</u>	<u>Re-alignment</u>	<u>Capital</u>	£	<u>Revenue</u>	<u>Re-alignment</u>	<u>2015/16 Budget</u>	<u>Capital</u>	£
<b><u>EARMARKED RESERVES</u></b>											
<b><u>Other</u></b>											
RES002	Pension Reserve	To fund future pension liability	-92,446	124,400		31,954	-150,000				-118,046
RES003	Economic Development Reserve	To fund future economic studies	-14,200			-14,200					-14,200
RES005	Keep Cheltenham Tidy Reserve	Keep Cheltenham Tidy campaign - scheme contributions	-626			-626					-626
RES006	Cultural Development Reserve	To fund future arts facilities/activity	-22,361			-22,361					-22,361
RES008	House Survey Reserve	To fund cyclical housing stock condition surveys	-95,525	-7,500		-103,025	-7,500				-110,525
RES009	Twinning Reserve	Twinning towns civic visits to Cheltenham	-4,279			-4,279					-4,279
		To fund future flood resilience work, delegated to the Flood working group for allocation	-154,227	50,000		-104,227	50,000				-54,227
RES012	Pump Room Insurance Reserve	Insurance reserve for stolen jewellery	-18,135			-18,135					-18,135
RES013	TIC Shop Reserve	Accumulated profits held for TIC shop improvements	-29			-29					-29
		To fund risk management initiatives / excess / premium increases	-79,371			-79,371					-79,371
RES016	Joint Core Strategy Reserve	To fund Joint Core Strategy	-135,945	55,200	33,700	-47,045					-47,045
RES018	Civic Pride Reserve	To pump prime civic pride initiative / match funding	-560,584	115,000		-445,584	105,100				-340,484
RES019	Land Charges Reserve	Cushion impact of fluctuating activity levels	-34,400			-34,400					-34,400
RES020	Ubico Reserve	Replacement fund	-170,000			-170,000					-170,000
RES021	Cheltenham Leisure & Culture Trust	To cover unforeseen deficits in operations within new trust	-200,000			-200,000					-200,000
RES022	Homelessness Reserve	To cover future homelessness prevention costs	-50,000			-50,000	13,100				-36,900
RES023	Transport Green Initiatives Reserve	To fund Transport Green Initiative Schemes	-35,400			-35,400					-35,400
			<b>-1,667,529</b>			<b>-1,296,729</b>					<b>-1,286,029</b>
<b><u>Repairs &amp; Renewals Reserves</u></b>											
RES201	Commuted Maintenance Reserve	Developer contributions to fund maintenance	-146,629	39,000		-107,629	39,000				-68,629
RES202	Highways Insurance Reserve	County highways - insurance excesses	-15,000			-15,000					-15,000
RES203	Revs & Benefits IT Reserve	Replacement fund to cover software releases	-30,000			-30,000					-30,000
RES204	I.T. Repairs & Renewals Reserve	Replacement fund	-76,566	35,665		-40,901	35,665				-5,236
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	-742,242	49,000		-693,242	-700,000				-1,393,242
			<b>-1,010,437</b>			<b>-886,772</b>					<b>-1,512,107</b>
<b><u>Equalisation Reserves</u></b>											
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	-142,756	64,856		-77,900	77,900				0
RES102	Planning Appeals Equalisation	Funding for one off appeals cost in excess of revenue budget	-101,232			-101,232					-101,232
RES103	Licensing Fees Equalisation	Past income surpluses to cushion impact of revised legislation	-22,555	11,400		-11,155					-11,155
		To cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses	-174,012			-174,012					-174,012
RES104	Interest Equalisation	Fund cyclical cost of local plan inquiry	-67,230	60,000		-7,230					-7,230
RES105	Local Plan Equalisation	Fund cyclical cost of local elections	-96,000	61,500		-34,500					-34,500
RES106	Elections Equalisation	To fund fluctuations in income from closure of car parks	-94,600	-255,400		-350,000	335,800				-14,200
RES107	Car Parking Equalisation	To fund fluctuations in income from retained business rates	0	-350,000		-350,000					-350,000
RES108	Business Rates Retention Equalisation										
			<b>-698,385</b>			<b>-1,106,029</b>					<b>-692,329</b>

	<u>Purpose of Reserve</u>	<u>31/3/14</u>	<u>2014/15</u>	<u>2014/15</u>	<u>2014/15</u>	<u>31/3/15</u>	<u>2015/16</u>	<u>2015/16</u>	<u>Proposals</u>	<u>2015/16</u>	<u>31/3/16</u>
		£	<u>Movement</u>	<u>Reserve</u>	<u>Movement</u>	£	<u>Movement</u>	<u>Reserve</u>	<u>to Support</u>	<u>Movement</u>	£
			Revenue	Re-alignment	Capital		Revenue	Re-alignment	2015/16 Budget	Capital	
		£	£	£	£	£	£	£	£	£	£
<b><u>Reserves for commitments</u></b>											
RES301	Carry Forwards Reserve	Approved budget carry forwards	-1,449,298	21,800		-1,427,498					-1,427,498
<b><u>CAPITAL</u></b>											
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	-1,612,746	-370,000	737,103	-1,245,643	-370,000			912,900	-702,743
<b>TOTAL EARMARKED RESERVES</b>			<b>-6,438,395</b>			<b>-5,962,671</b>					<b>-5,620,706</b>
<b><u>GENERAL FUND BALANCE</u></b>											
B8000 - B8240	General Balance - RR	General balance	-1,751,679	-1,368	-33,700	-1,786,747	48,088				-1,738,659
<b>TOTAL GENERAL FUND RESERVES AND BALANCES</b>			<b>-8,190,074</b>	<b>-296,447</b>	<b>0</b>	<b>-7,749,418</b>	<b>-522,847</b>	<b>0</b>	<b>0</b>	<b>912,900</b>	<b>-7,359,365</b>



Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/14	Approved Budget 2014/15	Revised Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
				£	£	£		£	£	£	£	£	£
		<b>RESOURCES</b>											
		<b>Property Services</b>											
CAP001	C/R	Programmed Maintenance	New cremators	655,000	628,638		188,300						
	C	Town Centre acquisition	Acquisition of Shopfitters site				1,000,000						
		<b>Financial Services</b>											
CAP010	C	GO ERP	Development of ERP system within the GO Partnership	421,700	441,973	14,700	14,700						
		<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			241,100	403,800	275,600	77,400	62,800			
CAP027	C	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 4			25,000	25,000						
		<b>WELLBEING &amp; CULTURE</b>											
		<b>Parks &amp; Gardens</b>											
CAP101	S	S.106 Play area refurbishment	Developer Contributions			50,000	72,000	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			
CAP501	C	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.			600,000	610,200						
		<b>Cultural Services</b>											
	C	Town Hall chairs	Replacement of Town Hall chairs on a like for like basis				80,000						
		<b>Recreation</b>											
CAP112	C	Carbon reduction scheme	Replacement of Pool Hall lighting to LEDs at Leisure@				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	95,900	50,000	50,000	50,000			
		<b>BUILT ENVIRONMENT</b>											
		<b>Integrated Transport</b>											
CAP152	C	Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.				65,800						
CAP152	S	Civic Pride	Public Art - Promenade				22,000						
CAP153	C	Civic Pride	Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use.				100,000						
CAP154	C	Civic Pride	Scheme for St.Mary's churchyard				49,500	50,000	50,000	50,000			
CAP154	S	Civic Pride	Public Art - St Mary's churchyard				20,000						
CAP155	S	Pedestrian Wayfinding	GCC Pedestrian Wayfinding				131,200						
CAP156	S	Hatherley Art Project	Public Art - Hatherley				10,000						
	C	Public Realm	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	561,700			244,400	317,300					

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/14	Approved Budget 2014/15	Revised Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21		
				£	£	£		£	£	£	£	£	£		
CAP204	C	Civic Pride	Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration.				129,000								
CAP201	C	CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime			50,000	149,800								
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.				37,100								
	C	Car park investment	New car park machines to allow additional functionality to be introduced for the benefit of customers				250,000								
<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					
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	26,000	26,000	26,000	26,000					
CAP223	PSDH	Health & Safety Grant / Loans	A new form of assistance available under the council's Housing Renewal Policy 2003-06				287,900								
	PSDH	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06												
	PSDH	Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996												
CAP224	LAA / C	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems				90,000								
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			2,300,000	2,418,500								
CAP226	C	Housing Enabling - St Paul's 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	200,000								
CAP227	C/S	Housing Enabling - Garage Sites	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes				1,400,000								
<b>OPERATIONS</b>															
CAP301	C	Vehicles and recycling caddies	Replacement vehicles and recycling equipment				61,800								
CAP301	C	10 Year vehicle Replacement	CBC & Ubico vehicle & plant replacement programme				628,000	806,000	905,000	143,000	834,000	729,000	95,000		
<b>CAPITAL SCHEMES - RECLASSIFIED AS REVENUE</b>															
CAP203	C	Re-jointing High Street/Promenade pedestrianised area	Re-jointing works required to improve safety and appearance of the core commercial area	60,000	52,171		7,500								
<b>TOTAL CAPITAL PROGRAMME</b>								<b>4,236,800</b>	<b>9,558,000</b>	<b>2,254,900</b>	<b>1,838,400</b>	<b>1,061,800</b>	<b>834,000</b>	<b>729,000</b>	<b>95,000</b>

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/14	Approved Budget 2014/15	Revised Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
				£	£	£		£	£	£	£	£	£
		<b>Funded by:</b>											
		G Government Grants											
		SCG Specified Capital Grant (DFG)				319,697	319,697	306,000	306,000	306,000			
		LAA LAA Performance Reward Grant					90,000						
		P Partnership Funding					131,200						
		PSDH Private Sector Decent Homes Grant					287,900						
		HRA Housing Revenue Account Contribution				100,000	100,000	50,000	50,000	50,000			
		R IT Repairs and Renewals Reserve					162,700						
		S Developer Contributions S106				50,000	146,100	50,000	50,000	50,000	0	0	0
		C HRA Capital Receipts					86,100						
		C GF Capital Receipts				730,000	1,730,000	130,000	130,000	130,000			
		C Civic Pride Reserve					215,300						
		C Prudential Borrowing				2,300,000	4,508,300	806,000	905,000	143,000	834,000	729,000	95,000
		C GF Capital Reserve				737,103	1,780,703	912,900	397,400	382,800	0	0	0
						<b>4,236,800</b>	<b>9,558,000</b>	<b>2,254,900</b>	<b>1,838,400</b>	<b>1,061,800</b>	<b>834,000</b>	<b>729,000</b>	<b>95,000</b>

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<b>Property / Asset</b>	<b>Description of proposal</b>	<b>'Impact statement' of not taking the project forward</b>	<b>Council contribution £</b>
Central Depot (Swindon Rd)	Provision of rainwater harvesting installation at central depot	The council may be considered to be less 'green'	32,000
Neptunes Fountain	Redevelopment - Provision of Restoration of Neptune's Fountain	Will not address the underlying structural issues with the fountain identified in the external report from conservator	600,000
Montpellier and Imperial Gardens	Provision of permanent event electrical supply for hirers	Will not remove the temporary, noisy generators used by hirers of gardens	180,000
Municipal Offices	Relocation of Municipal offices facilitating the redevelopment of site for mixed use i.e. potential hotel, retail and leisure provision.	Lost opportunity to redevelop the Municipal Offices which will drive down council costs (from £700k p.a.) and help protect frontline services; significantly improve the rear appearance of the Municipal Offices and public realm in Royal Well; deliver economic benefit from additional jobs and visitors to the town and income from ground lease, business rates and car parking.	2,500,000
Swindon Village Playing Field	Provision of new land drainage system to 3Nr football pitches	Will not improve the drainage of the playing field	260,000
The Crematorium	The council is considering a range of options including the replacement of cremators and associated plant within the existing or extended building, the building of a separate cremation plant or the complete redevelopment of the crematorium and chapels within the existing cemetery.	The risk of equipment failure of the equipment may increase which will impact on continuous service to the public and income to the council. Not undertaking the larger project is a lost opportunity to improve the quality of service to the public which is constrained by the existing building.	1-5,000,000

Town Hall	<p>Re-development including:  A new foyer entrance from Imperial Gardens.</p> <ul style="list-style-type: none"> <li>• Installing a lift to access the balcony.</li> <li>• Improved visitor flow solutions and signage for people with mobility and access requirements.</li> <li>• Provision of a café/bar area to Silicone Gardens and Imperial Gardens</li> <li>• Re-instating the Winter Gardens Style conservatory as a heritage interpretation of the former venue to provide a restaurant/event venue</li> <li>• Creation of a street route on the west elevation of the building to provide retail / workshop space.</li> </ul>	<ul style="list-style-type: none"> <li>• Lost opportunity to improve accessiblity to the Town Hall with the objective of increasing usuage to support the Cultural Trust's business plan and reduce operating costs.</li> </ul>	2,400,000
Leisure @	<p>Development of a community sport and play hub including:</p> <ul style="list-style-type: none"> <li>• Extend the gym facilities into the dance studio</li> <li>• Relocate the studio facilities to the squash courts</li> <li>• Upgrade the school changing rooms</li> <li>• Redesign, fit-out and branding of the main reception area to create an open and more welcoming space for customer service and access to the building</li> </ul>	<p>Lost opportunity to improve facility with the objective of increasing usuage to support the Cultural Trust's business plan and reduce operating costs.</p>	433,000

POW stadium	Creation of a new sports and play hub at the Prince of Wales Stadium providing facilities for competitive field sports and athletics including: <ul style="list-style-type: none"> <li>• 8 lane floodlit athletics facility and multi 3G synthetic turf pitch facility on the existing practice pitches with stadium seating adjacent to the track</li> <li>• Provide a floodlit main pitch of either Grass or preferably a Desso hybrid system</li> <li>• Upgrade the stadium buildings with extended seating and terracing to accommodate attendances up to 5000 people</li> <li>• Refurbish and develop the stadium buildings to provide an improved food and beverage offer, improved changing facilities, meeting rooms and hospitality facilities</li> <li>• Improve car parking provision / access to facilities</li> </ul>	Lost opportunity to improve access to sports, increase usage and reduce operating costs.	1,843,000
Pittville Parks & Gardens	Pittville Park Play Area - complete replacement and redevelopment of existing play area and its immediate landscape setting.	Would not deliver an improved play facility for residents / visitors	300,000
Land	Large scale renewable energy initiative (carbon reduction scheme) e.g. solar farm	Would not deliver the potential financial contribution to support the councils funding gap.	8,000,000
All properties	Small scale renewable energy initiatives (carbon reduction scheme) including the potential for solar panels on top of council owned buildings	Would not deliver the potential financial contribution to support the councils funding gap.	1,000,000
Cheltenham Development Task Force - Public Realm	Boots Corner public improvements - new paving, planting to create a new public space	Would not deliver the full potential for the improvement to the quality of the public space at Boots corner and the potential positive impact on surrounding existing / potential retailers.	2,000,000

Car parks	Redevelopment - Provision for implementation of parking strategy	\zz	1-4,000,000
All properties	Fund to support key property acquisitions to facilitate redevelopment and generate income to avoid cutting services.	Would not deliver the potential financial contribution to support the councils funding gap.	1-1,500,000



## Cheltenham Borough Council

### Cabinet – 16<sup>th</sup> December 2014

#### Housing Revenue Account - Revised Forecast 2014/15 and Interim Budget Proposals 2015/16 for Consultation

<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 forecast for 2014/15 and the Cabinet’s interim budget proposals for 2015/16 for consultation.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Note the revised HRA forecast for 2014/15.</li> <li>2. Approve the interim HRA budget proposals for 2015/16 for consultation including a proposed rent increase of 2.2% and increases in other rents and charges as detailed at Appendix 5.</li> <li>3. The rent for all properties to be converted to formula rent on re-letting.</li> <li>4. Approve the proposed HRA capital programme for 2015/16 as shown at Appendix 3.</li> <li>5. Approve the transfer of £2m to an earmarked revenue reserve to finance future new build in the HRA.</li> <li>6. Delegate authority to the Director of Resources, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.</li> <li>7. Seek consultation responses by 29<sup>th</sup> January 2015.</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>As this report proposes an interim budget for consultation purposes, there are no specific legal implications at this stage.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail: peter.lewis@teWKesbury.gov.uk</b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>No direct HR implications arising from this report.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: julie.mccarthy@cheltenham.gov.uk</b></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	<p>As outlined in Appendix 1</p>
<b>Corporate and community plan Implications</b>	<p>The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.</p>
<b>Environmental and climate change implications</b>	<p>The draft budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings</p>

## 1 Background

1.1 The Council's Constitution requires that the Cabinet prepare an interim budget for consultation before it makes recommendations to full Council in February 2015. The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation period, and its report to Council in February 2015 should reflect the Cabinet's response to such comments.

## 2. HRA Business Plan

2.1 The Council has approved a 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 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.
- Council approved budget proposals in February 2013 and 2014 which included an investment of £1m. over 3 years, commencing in 2013/14, to improve services to tenants and a further £4.5m. to enhance capital expenditure on the existing stock within the same period.

- Plans are now being developed for 3 new build schemes within the HRA, commencing on site in summer 2015.

**2.3** The financial projections within the business plan have been updated to reflect the 2013/14 outturn and anticipated 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 2015/16 and projections for the following two years are based on the following key assumptions:-

- Rent – increase of 2.2% from April 2015 and annually thereafter at Consumer Price Index (CPI) + 1% (this reflects Government proposals for future social rent policy, see paragraph 4.2 below).
- Inflation – CPI at 1.2% (2014/15), 1%(15/16), 1.5%(16/17), 2%(17/18); RPI at 0.9% higher.
- Void rent loss at 1% p.a.
- Stock loss through Right to Buy (RTB) – 15 units in 2014/15, 12 units in 2015/16 and 12 units p.a. for the following 2 years. Continuing Government stimulus has attracted more interest in the scheme but completions are still at a fairly modest level, though this is being closely monitored.
- The proposed capital funding and revenue consequences of HRA new build schemes will be detailed in future reports seeking Cabinet and Council approval and are not yet reflected in these budget proposals.
- 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 2018
- Bad debt provision rising to 2% of rent collectable by 2017/18 to reflect phased introduction of welfare reform.
- Council administrative charges to the HRA are currently shown at a cash frozen level for 2015/16 pending the completion of a review of cost allocations.

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

### 3. 2014/15 Revised Forecast

**3.1** The forecast at Appendix 2 shows an increase in the surplus for the year of £58,800 compared to the original estimate. This increase, together with an increase of £665,800 in the balance brought forward from 2013/14, will give revenue reserves of £4,388,300 at 31<sup>st</sup> March 2015.

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

Budget Heading	Change in resources
	£'000
General management – increase in HRA pension contribution	-90
ALMO management fee – reallocation of cost to HRA	-54
Repairs & Maintenance – increase due to fencing & roof repairs from storm damage	-114
Bad Debt Provision – lower arrears than anticipated reflect delay in implementation of welfare reform and allocation of additional	101

resources to mitigate impact	
Dwelling Rents – loss of rent from additional sales and higher voids	-69
Revenue contributions to fund capital programme – changes to programme and availability of funding options have reduced use of revenue resources	289
Other net variations	-4
<b>Net increase in Surplus for Year</b>	<b>59</b>

#### 4. 2015/16 Budget

4.1 The budget proposals for 2015/16 and projections for the following 2 years are shown at Appendix 2.

4.2 The Government has confirmed proposals for social rent policy for the ten year period from April 2015. The key points are:-

- The formula rent for each property will be increased annually by CPI + 1% (previously RPI + 0.5%).
- Convergence to formula rent will cease in 2014/15, with future rent increases limited to CPI + 1% (previously RPI + 0.5% + up to £2 per week for upward convergence with formula rent).

Social landlords will be allowed to move rents straight to formula when a property is re-let so that any rent lost through this policy change will reduce over time. It is estimated that the net impact on the Council will be an initial loss of £60,000 per annum, reducing as tenancies change.

4.3 Estimates of service charge income currently assume an increase of 1.9% for both grounds maintenance (subject to negotiation with Ubico) and cleaning. Overall charges for power to communal areas are expected to be held at 2014/15 levels after a fixed tariff deal was agreed.

4.4 Significant changes to the HRA in 2015/16 as compared to the revised forecast for 2014/15 are itemised in the table below. There is a forecast surplus of £635,400 for the year which leaves revenue reserves at £5,023,700 at 31<sup>st</sup> March 2016.

<b>Budget Heading</b>	<b>Change in resources £'000</b>
Increase in base CBH management fee (see paragraph 4.5.2 below)	-117
Increase in repairs and maintenance – inflation	-43
Increase in bad debt provision – impact of welfare reform	-50
Depreciation – inflation offset by stock loss	-94
Increase in rents (after adjustment for stock loss)	402
Income from PV tariff – reflects investment in 2014/15	103
Revenue contributions to fund capital programme	274
Other (net)	-23
<b>Net increase in resources</b>	<b>452</b>

**4.5 Cheltenham Borough Homes (CBH)**

- 4.5.1 The draft budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2015/16.
- 4.5.2 CBH draft budgets approved by their Board on 26<sup>th</sup> November 2014 show a net increase in management costs of £228,000 analysed as below:-

	<b>£'000</b>
Pay award and increments	102
Growth – 3 additional posts to support capital programme	106
Other net costs	20
<b>Increase in net management costs</b>	<b>228</b>

These additional costs are reflected in an increase in the HRA management fee of 2.3% over the current year and an increase of £111,000 in fees to the capital programme.

Two additional fixed term posts will strengthen the delivery of the proposed £13m. window replacement programme, providing enhanced control and quality whilst another post will further improve the management of asbestos in the Council stock.

The CBH draft budgets for 2015/16 show a breakeven position on services provided to the Council.

- 4.5.4 The overall cost of repairs and maintenance has increased by 1%. The cost of delivering the estate cleaning contract has risen by 1.9% (£6,000) which reflects the cost of the pay award.
- 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. During the next financial year the impact of this investment will be reviewed and decisions made as to whether any of the programmes should be continued beyond March 2016.
- 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 2014/15.

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Management Fee	4,968	5,085
Management of Capital Programme	525	636
Block Cleaning Service	307	313

**5. Capital Programme**

- 5.1 The revised capital programme for 2014/15 reflects the completion of schemes carried forward from the previous year as previously reported to Cabinet and further variations identified during the year. This includes a rescheduling of the transformational improvements project in Folly Lane, now anticipated to start in 2015/16.

- 5.2 The detailed capital programme for 2015/16 and indicative programmes for the following two years are shown at Appendix 4. These reflect the investment requirements identified in stock condition surveys and the proposals in the updated asset management strategy.
- 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 The Joint Programme Group has been developing three HRA new build schemes, currently anticipated to start on site in the summer of 2015. As outlined in paragraph 2.4 these budget proposals do not yet reflect the impact of these developments.

### **6. Reserves**

- 6.1 The recommended minimum revenue balance to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £4,129,800 at 31<sup>st</sup> March 2018. Cabinet has previously approved the creation of an earmarked revenue reserve to identify resources available to finance new build in the HRA, the overall sum being initially restricted to a maximum of £2.5m.in the period to 31<sup>st</sup> March 2017.

A decision on the level of current reserves to be transferred to this reserve has been delayed pending a review of the asset management strategy and the development of new build plans by the Joint Programme Group. The latest projections for the HRA, after funding the updated capital programme on the existing stock, indicate that £2m. is available to be set aside for new build schemes.

### **7. Consultation process**

- 7.1 The Council is proposing to consult on these budget proposals during the period to 29<sup>th</sup> January 2015. This extended period will allow CBH to respond at their Board meeting on 28<sup>th</sup> January 2015. The results from this consultation will be fed back to the Cabinet and taken into account in the formulation of the final budget proposals.
- 7.2 As part of the interim consultation process the Cabinet's proposals will be included on the Council's web site, made available at the Municipal Offices, Area Offices and publicised through the local press. All interested parties will be encouraged to respond. Consultation meetings will held with both tenant and leaseholder representatives.
- 7.3 In preparing the consultation document it may be helpful to provide supplementary information, for instance relating to the main changes in the budget. It is therefore recommended that the Director of Resources and Cabinet Member for Finance be given delegated authority to approve any supplementary information for 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> <li>6. Service Investment</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 2015/16</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	Pat Pratley	December 2012	3	4	12	R	The HRA budget includes specific resources to address welfare reform	Mar 2018	CBH through management agreement	
1.02	If supporting people contracts are not renewed it could impact on the tenants in sheltered accommodation	Pat Pratley	December 2012	2	3	6	R	A transitional contract has been agreed with the County Council until October 2016. An evaluation of alternative service and funding options is in progress as part of the overall review of service delivery in this area	Oct 2016	Lead Commissioner Housing	
1.03	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Pat Pratley	December 2012	3	2	6	R	Demand for social housing remains high with significant waiting list. Quality of accommodation needs to be maintained and changes in tenancy termination rates monitored	Mar 2016	CBH through management agreement	
1.04	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Pat Pratley	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 2016	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	Pat Pratley	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	Pat Pratley	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	Lead Commissioner Housing	
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	Pat Pratley	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 via the Joint Programme Group	

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**HRA OPERATING ACCOUNT**

	2014/15		2015/16 Budget £	2016/17 2017/18 Projections £	
	Original £	Revised £		£	£
<b>EXPENDITURE</b>					
General & Special Management	1,937,400	2,054,000	2,054,100	2,075,600	2,101,500
ALMO Management Fee	4,914,300	4,968,300	5,085,000	5,161,000	5,264,000
Rents, Rates, Taxes and Other Charges	45,200	59,000	79,100	80,600	82,100
Repairs & Maintenance	3,993,700	4,107,300	4,150,000	4,233,000	4,318,000
Provision for Bad Debts	251,000	150,000	200,000	290,000	400,000
Interest Payable	1,684,700	1,684,700	1,684,700	1,684,700	1,684,700
Depreciation of Dwellings	5,343,600	5,298,500	5,382,400	5,497,800	5,643,200
Depreciation of Other Assets	108,400	142,100	151,900	163,000	172,600
Debt Management Expenses	81,700	81,700	82,500	83,300	84,100
<b>TOTAL</b>	<b>18,360,000</b>	<b>18,545,600</b>	<b>18,869,700</b>	<b>19,269,000</b>	<b>19,750,200</b>
<b>INCOME</b>					
Dwelling Rents	18,873,300	18,803,800	19,206,100	19,539,700	19,975,400
Non Dwelling Rents	433,500	418,500	421,200	425,400	430,300
Charges for Services and Facilities	797,500	828,200	835,600	847,100	859,500
Supporting People Grant	110,000	110,000	90,000	90,000	90,000
Feed in Tariff from PV Installations	75,000	85,000	188,000	193,000	198,000
<b>TOTAL</b>	<b>20,289,300</b>	<b>20,245,500</b>	<b>20,740,900</b>	<b>21,095,200</b>	<b>21,553,200</b>
<b>NET INCOME FROM SERVICES</b>	<b>-1,929,300</b>	<b>-1,699,900</b>	<b>-1,871,200</b>	<b>-1,826,200</b>	<b>-1,803,000</b>
Amortised Premiums/Discounts	-10,100	-10,100	-10,100	-7,300	0
Interest Receivable	-42,500	-41,600	-48,200	-68,000	-92,000
<b>NET OPERATING INCOME</b>	<b>-1,981,900</b>	<b>-1,751,600</b>	<b>-1,929,500</b>	<b>-1,901,500</b>	<b>-1,895,000</b>
<b>Appropriations</b>					
Revenue Contributions to Capital	1,857,000	1,567,900	1,294,100	2,458,000	2,232,400
<b>HRA Surplus/(Deficit) carried to reserves</b>	<b>124,900</b>	<b>183,700</b>	<b>635,400</b>	<b>-556,500</b>	<b>-337,400</b>
<b>Revenue Reserve brought forward</b>	<b>3,538,800</b>	<b>4,204,600</b>	<b>4,388,300</b>	<b>5,023,700</b>	<b>4,467,200</b>
<b>Revenue Reserve carried forward</b>	<b>3,663,700</b>	<b>4,388,300</b>	<b>5,023,700</b>	<b>4,467,200</b>	<b>4,129,800</b>

<b>Average Rent:- Increase 1st April</b>	<b>2.20%</b>	<b>2.00%</b>	<b>2.50%</b>
<b>48 wk</b>	<b>87.35</b>	<b>89.27</b>	<b>91.06</b>
<b>52 wk</b>	<b>80.63</b>	<b>82.40</b>	<b>84.06</b>
<b>Average stock</b>	<b>4,536</b>	<b>4,520</b>	<b>4,508</b>
			<b>4,496</b>

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**MAJOR REPAIRS RESERVE**

	2014/15		2015/16	2016/17	2017/18
	Original £	Revised £	Budget £	Projections £	
Balance brought forward	0	0	0	0	0
Depreciation of Dwellings	5,322,400	5,298,000	5,382,000	5,498,000	5,643,000
Depreciation of Other Assets	129,600	142,100	151,900	163,000	172,600
	<u>5,452,000</u>	<u>5,440,100</u>	<u>5,533,900</u>	<u>5,661,000</u>	<u>5,815,600</u>
Utilised to fund Capital Programme	-5,452,000	-5,440,100	-5,533,900	-5,661,000	-5,815,600
Balance carried forward	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**HRA CAPITAL PROGRAMME**

	2014/15		2015/16	2016/17	2017/18
	Original £	Revised £	Budget £	Projections £	
<b>EXPENDITURE</b>					
Property Improvements & Major Repairs (see detail at Appendix 5)	7,739,000	7,438,000	6,718,000	8,009,000	7,938,000
Adaptions for the Disabled	400,000	400,000	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
	<u>8,249,000</u>	<u>7,948,000</u>	<u>7,228,000</u>	<u>8,519,000</u>	<u>8,448,000</u>
<b>FINANCING</b>					
Capital Receipts	940,000	940,000	400,000	400,000	400,000
HRA Revenue Contribution	1,857,000	1,567,900	1,294,100	2,458,000	2,232,400
Major Repairs Reserve	5,452,000	5,440,100	5,533,900	5,661,000	5,815,600
	<u>8,249,000</u>	<u>7,948,000</u>	<u>7,228,000</u>	<u>8,519,000</u>	<u>8,448,000</u>

<b>PROPERTY IMPROVEMENT &amp; MAJOR WORKS</b>				
<b>Description of works</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
EXTERNAL IMPROVEMENTS	1,023,000	1,113,000	1,243,000	1,053,000
INTERNAL IMPROVEMENTS	330,000	312,000	312,000	312,000
PATHS, FENCES & WALLS	100,000	100,000	100,000	150,000
WORKS TO BUILDING FABRIC	218,000	150,000	150,000	150,000
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	2,259,000	489,000		
RENEWAL OF HEATING SYSTEMS	411,000	540,000	449,000	370,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	532,000	350,000	275,000	325,000
WINDOWS & DOORS	159,000	1,050,000	3,500,000	3,500,000
ASBESTOS	100,000	125,000	150,000	150,000
SHELTERED ACCOMMODATION	77,000	60,000	65,000	70,000
NEIGHBOURHOOD WORKS	333,000	400,000	348,000	348,000
DOOR ENTRY	18,000	31,000	31,000	31,000
STRUCTURAL WORKS	100,000	100,000	100,000	100,000
CARBON MONOXIDE DETECTORS	50,000			
COMMUNAL LIGHTING		107,000	105,000	105,000
FIRE PROTECTION	285,000	284,000	234,000	234,000
LIFTS	11,000	101,000	101,000	181,000
SCOOTER STORES	30,000	30,000		
INTERNAL COMMUNAL IMPROVEMENTS	100,000	100,000	100,000	100,000
GARAGE IMPROVEMENTS	100,000	100,000	100,000	100,000
COMMERCIAL PROPERTIES	30,000			
ST PAULS PHASE 2 TRANSFORMATIONAL IMPROVEMENTS		540,000		
NEW BUILD	647,000			
FEE FOR MANAGING PROGRAMME	525,000	636,000	646,000	659,000
<b>TOTAL BUDGET</b>	<b>7,438,000</b>	<b>6,718,000</b>	<b>8,009,000</b>	<b>7,938,000</b>

**HOUSING REVENUE ACCOUNT - RENTS & CHARGES**

	<b>2014/15</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>
Dwelling Rents (average)		
48 wk basis	<b>87.35</b>	<b>89.27</b>
52 wk basis	<b>80.63</b>	<b>82.40</b>
Garages (per month)	<b>27.53</b>	<b>28.05</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>

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## Service Investment - Summary of Expenditure

	Actual 2013-14 £'000	Forecast 2014-15 £'000	Budget 2015-16 £'000	Total Investment Pot £'000
Welfare Reform	120	115	163	398
Enhanced Services for Vulnerable People	54	95	95	244
Partnerships and Communities	2	84	76	162
Enabling New Business	59	33	27	119
Service Improvement Programme	-	20	45	65
Contingency	-	-	12	12
	<b>235</b>	<b>347</b>	<b>418</b>	<b>1,000</b>

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## Cheltenham Borough Council Cabinet – 16 December 2014 A 2020 Vision for Joint Working

<b>Accountable member</b>	<b>Leader, Councillor Steve Jordan</b>
<b>Accountable officer</b>	<b>Andrew North, Chief Executive</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>Members will recall that in June Cabinet received a report entitled “2020 Vision for Joint Working”. The report requested Cabinet to note the broad strategic direction for further joint working with Cotswold, West Oxfordshire and Forest of Dean District Councils, approval to the creation of a 2020 Programme Board and for that Board to develop a programme plan, business case and to estimate the potential for further efficiency savings through joint working.</p> <p>At the time of the last report the partnership had been granted £500K from the DCLG Transformation Challenge Fund (TCF). In September the partnership was awarded a further £400k to support the implementation of shared management and on 1 October the partnership submitted a further bid of £3.9M to the TCF. 2020 Vision was awarded a further £2.9M on 28 November 2014 making a total of £3.8M awarded to the programme in total.</p> <p>This report summarises the progress made since June and makes a number of recommendations to Cabinet to progress the partnership to the next stage.</p>
<b>Recommendations</b>	<p><b>1. Cabinet is recommended to</b></p> <p><b>1.1</b> Establish a shared services partnership venture in early 2015 between the 4 authorities, managed by a joint committee operating under a Memorandum of Understanding (for an interim period pending a further report being considered in the autumn of 2015 as set out in Recommendation 1.8)</p> <p><b>1.2</b> Note that a further report be brought back to the Council to finalise the Memorandum of Understanding</p> <p><b>1.3</b> Authorise the 2020 Programme Board to allocate the principal roles of Interim Lead Commissioner, Interim Managing Director of the partnership venture and the appointment of the Programme Director</p> <p><b>1.4</b> Agree the principle of the two principal interim roles, the heads of paid service in each authority, and the Programme Director sharing collective responsibility for the successful delivery of the programme</p> <p><b>1.5</b> Agree the creation of a project to develop effective commissioning arrangements for each authority, including exploring the potential for</p>

sharing commissioning functions where possible

- 1.6 Endorse the review of the statutory posts of Head of Paid Service, Monitoring Officer and S151 officer during the course of the 2020 Vision implementation programme including the potential for sharing where appropriate and practical with further reports to be considered by each Council as appropriate
- 1.7 Endorse the principles and recommendations proposed in the Activist report as set out in Appendix 2 to this report
- 1.8 That a further report be considered in the autumn of 2015 regarding any recommendations for the future governance arrangements of the partnership venture

**2. Cabinet recommends to Council**

- 2.1 As part of the 2014-15 budget process, the total allocation of £1.095M one-off funding over 5 years as set out in section 6 of this report.

<b>Financial implications</b>	<p>The councils' financial position, as per the Medium Term Financial Strategy (MTFS) is outlined at section 7 of the report.</p> <p>The financial savings and costs of the project, including the council's contribution to supplement the DCLG award of £2.9m (across the partnership) are outlined in section 6 of the report.</p> <p>The funding proposals for the council's contribution are set out in the councils interim budget proposals for 2015/16. Funding is likely to come from a combination of the use of the councils New Homes Bonus headroom (over a number of years) plus a redundant interest equalisation reserve.</p> <p><b>Contact officer: Mark Sheldon, Director of Resources</b> <b>Mark.Sheldon@Cheltenham.gov.uk, 01242 264123</b></p>
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<p><b>Legal implications</b></p>	<p><b>General</b>  This is an innovative, and potentially complex, project which will require legal support through to completion. To an extent, the detailed legal implications will only become clear as the project progresses through its various stages. The objective of setting up a company based delivery model will, in particular, require careful consideration from a legal perspective. This, and possibly other elements of the project too, will require specialist legal support which will need to be funded through the project.</p> <p><b>Joint Committee</b>  Cotswold and West Oxfordshire Councils Legal Team is working on a memorandum of understanding which is intended to include the key principles which will underpin the inter-council Joint Committee which is proposed to be put in place early in 2015. That memorandum of understanding will be referred to Cabinet for consideration in due course. In agreeing to set up the Joint Committee, Cabinet will need to decide which of the Authority's functions will be delegated to the Committee and, equally important, which functions will be retained by the Authority. Also, consideration will have to be given as to whether any non-executive functions are to be delegated (with onwards reference to Council as necessary), and legal advice provided as to any decision making power which in law cannot be delegated. As is the case with the other joint committees in which CBC participates, detailed legal documentation (in a 's101 agreement') will be required which will cover such matters as: the composition and constitution of the Committee, the partner authorities' obligations (including financial), the administering authority's obligations, TUPE (in respect of any transferring staff), exit arrangements.</p> <p><b>Interim Management Arrangements</b>  It is proposed that the 2020 Programme Board undertakes the selection/ allocation process for the three interim/fixed term posts and that this will happen imminently upon approval of this report . The actual appointment to the posts will need to be made by one or more of the councils in accordance with their internal employment procedures. Depending on how soon the councils move to set up the Joint Committee, it may be appropriate for the councils to enter a simple collaboration agreement which sets out the obligations (including financial) in respect of these posts.</p> <p><b>Statutory Officers</b>  The potential sharing of statutory officer roles will need specific consideration to ensure that, in particular, any conflict of responsibilities can be properly managed.</p> <p><b>Provision of Services through a Company Structure</b>  As already mentioned, this objective will require specialist legal support which will include company/governance law and practice and procurement advice. This advice would be made available to Cabinet to assist Members in considering this last stage of the project which is currently scheduled for decision in Autumn 2015.</p> <p><b>Contact officer: Peter Lewis, Head of Legal Services, One Legal</b>  <b>Peter.Lewis@tewkesbury.gov.uk, 01684 272012</b></p>
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<p><b>HR implications (including learning and organisational development)</b></p>	<p>If Councils approve the development of the programme to the next stage, some additional staffing resources will be required to support its development. Any backfilling of substantive posts of a temporary nature or specialist additional support will be funded from programme costs which will be part funded from the Transformation Challenge Award grant.</p> <p>The vision, as proposed, raises a number of significant employee relations issues that will need to be worked through. Key to ensuring the success of the vision will be effective change management and employee/trade union communication programmes.</p> <p><b>Contact officer: Julie McCarthy, HR Manager GO Shared Services (West)</b>  <b>julie.mccarthy@cheltenham.gcsx.gov.uk, 01242 264355</b></p>
<p><b>Key risks</b></p>	<p>The Activist report at table 7.3 identifies those risks which the Programme Board may wish to consider in its initial risk log following the adoption of the partnership venture proposed here. <b>Appendix 1</b> to this report outlines those key risks on the current programme risk log.</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The recommendations support the Council's corporate objective of providing value for money services that effectively meet the needs of customers. In particular this report, together with the earlier report, supports the corporate plan objective VFM11 "we will explore new ways of working with our partner councils via the transformation project."</p>
<p><b>Environmental and climate change implications</b></p>	<p>There are no implications arising from this report but environmental and climate change implications will need to be considered as the proposals for future service delivery are developed.</p> <p><b>Contact officer: Gill Morris, Climate Change and Sustainability Officer</b>  <b>Gill.Morris@cheltenham.gov.uk; 01242 264229</b></p>
<p><b>Property/Asset Implications</b></p>	<p>As commented in the earlier report the Council's developing Accommodation Strategy has taken account of shared working and any new accommodation would be flexible to meet future needs.</p> <p><b>Contact officer: David Roberts, Head of Property Services</b>  <b>David.Roberts@cheltenham.gov.uk; 01242 264151</b></p>

## 1. Background

- 1.1 In June Cabinet received a report entitled “2020 Vision for Joint Working”. The report requested Cabinet to consider a more broad and strategic direction for further collaboration with Cotswold, West Oxfordshire and Forest of Dean District Councils who, together with CBC make up the GO Partner Councils. The vision for the partnership is

*“A number of Councils, retaining their independence and identities, but working together and sharing resources to maximise mutual benefit leading to more efficient, effective delivery of local services.”*

- 1.2 The proposition presented a model for the retention of independent organisations with the ability to exercise their democratic mandate and responsibilities. Each Council would continue to be supported by expert officers who would provide an advisory role to each Council and the independent Executive and Non-Executive functions of each Council would be unaffected by the proposed operating model.
- 1.3 The proposal explained that, if the model were implemented, it could effectively lead to Councils not directly employing any of their own staff, but rather, Councils would jointly own a local authority company which would provide services and deliver outcomes in line with the wishes of each council.
- 1.4 Based upon the proposal and the potential for further and deeper collaboration and partnership between the GO Partner Councils Cabinet agreed to:
- 1.4.1 *Note the contents and the broad strategic direction for joint working as set out within the 2020 Vision for Joint Working;*
- 1.4.2 *Approve the establishment of a 2020 Vision Programme Board with Councillor representation from each council*
- 1.4.3 *Authorise the 2020 Vision Programme Board to develop a programme plan; business case; and consider any efficiency savings that could be delivered for 2015/16 with a further report to partner councils in Autumn 2014.*
- 1.4.4 *Authorise the 2020 Vision Programme Board to submit applications to the Transformation Challenge Award for additional funding support*
- 1.4.5 *Approve the allocation of Transformation Challenge Award funding to support the development of the programme.*
- 1.4.6 *Confirm that CBC act as Accountable Body for authorising expenditure against the programme on the unanimous recommendations of the 2020 Vision Programme Board.*

## 2. Development of a 2020 Vision for Joint Working

- 2.1 The 2020 Vision Programme Board commissioned Activist to develop a strategic business case for the programme. The executive summary of the Activist report is attached as **Appendix 2** and presents a number of recommendations and principles for the 2020 Vision which the Cabinet is being recommended to endorse.
- 2.2 The Activist report has contributed significantly to the partnership's thinking and planning and examines two principal issues:
- 2.2.1 The options for the delivery models and;

2.2.2 The **interim management arrangements** that will be needed to make the transition to the new model of delivery if all partners are agreed upon the direction of travel.

### 3. What is Driving 2020 Vision

3.1 For 2020 Vision to flourish and succeed it has been important to understand what each council wants from the partnership and to understand the strength of the alignment at this point.

3.2 Activist engaged extensively with members and officers in order to understand the underlying reasons for each council wishing to build upon and deepen the existing partnership working. What Activist found was that the reasons why each council is exploring 2020 Vision are very similar:

- **Financial:** the need respond to long-term financial pressures
- **Efficiency:** continuing to find ways of delivering value for money
- **Resilience:** each authority needing a wider pool of expertise and greater capacity
- **Impact:** more depth in strategic capacity needed to drive service improvement and wider social and economic benefits in each locality
- **Democracy:** sufficient resources to be able to exercise choice and community leadership and the ability to continue to champion local needs and priorities

3.3 There are also some significant differences in emphasis and policies for partners and these are reflective of differences in the nature of “place” but also political control. It will, therefore, be important as the 2020 Vision develops further, that these differences are respected and that service design is able to respond and embrace the individual as well as collective needs of partners.

### 4. What the Partners Want from 2020 Vision

4.1 Through their various discussions across the partnership Activist has captured people’s ideas, natural concerns and fears. The information gathered has created a rich picture which has informed the shaping of the outcomes that the partners want to see from 2020 Vision and also the challenges that the programme will need to address to be assured of success.

4.2 The outcomes being sought are:

- **Savings** – realistic, sustainable, medium to long term return on investment, opportunities to generate income
- **Influence** respectful of individual authorities and local decision making, able to exercise community leadership, strong local knowledge in frontline services, impartial commissioning and client side advice
- **Quality** – enhances good quality services, flexibility and adaptability to future changes, streamlined and easy to understand governance
- **Creativity** – empowerment of staff to be creative, collaborative and enquiring, fosters and rewards innovation.

### 5. Option Appraisal

5.1 A long list of potential delivery models was evaluated against the outcomes and a set of financial assumptions. Appendix D of the Activist report provides the full detail. The financial assumptions

used were worked up with the GO finance team but it is important to note that the financial assessment will be revisited to ensure that any final business case is robust and realistic.

**5.2** The option appraisal identified that options requiring a procurement exercise, eg, private sector joint venture, spin out (mutual or trust) performed less well when compared to others because they have a longer payback period and incur potentially significant additional costs, eg, procurement.

### **5.3 Option Appraisal - Conclusion**

**5.3.1** The report and outline business case presented in June suggested an approach whereby the partners authorities would not employ any of their own staff but would create a jointly owned local authority company which would provide services and deliver outcomes.

**5.3.2** The Activist work has identified that, taking account of the outcomes that the partner councils wish to achieve, the principles of design that are important to the partners, as well as the currently unknown financial impact of pensions that a phased approach should be pursued for the next stage of 2020 Vision.

**5.3.3** In addition, owing to the requirement for a procurement exercise for two of the sourcing options, ie, private sector joint venture and spin out, these options perform poorly from a financial perspective and do not deliver the same level of savings in the medium term as sharing and the local authority company options.

**5.3.4** Therefore, Activist conclude that the two broad strategic options which best meet the partners outcomes and partnership drivers at this time are

- Traditional sharing
- Teckal and trading companies

**5.3.5** Both options have the merit of being able to deliver significant savings, but without the delays incurred through an expensive procurement exercise. They also have the merit of using partnership models that are tried, tested and trusted among the partner authorities (eg GOSS, SWAP and Ubico).

**5.3.6** A further point to note is that whilst the sharing option savings in the Activist option appraisal appear greater than the local authority company savings there are still important financial considerations which remain unresolved and unclear at this time.

## **6. Strategic Outline Case**

**6.1** The programme board has developed a strategic outline case (SOC) for 2020 Vision showing the estimated costs and benefits. The SOC is an important programme governance document and it will be updated as 2020 Vision progresses.

**6.2** The SOC has been prepared using the vision of shared services which may eventually be delivered, ie, a local authority company and covers a 10 year period in recognition of the potential financial savings from a change in pension arrangements.

**6.3** The total programme cost is estimated at £7.845M with savings over 10 years estimated to be £5.175Mpa. The programme costs will be funded from £2.9M Transition Challenge award with the balance of £4.945M being funded from the partner councils.

**6.4** The savings estimate uses as its basis the percentage level of savings which have been achieved through the creation of other shared services, for example, GO Shared Services achieved an average of 23% savings on total cost when it was created. This high level assumption will be

tested as the business case is developed and refined.

6.5 It must be explained at this point that the Activist financial appraisal described in section 5 was used to inform the options appraisal of the various governance models which 2020 Vision could use to deliver services (eg joint venture, local authority company, shared services, spin out to mutual). Each of these options has different financial implications in terms of one-off costs and on-going revenue costs and savings achievable, for example, a spin out to a mutual would incur significant procurement costs as would a private joint venture.

6.6 The Activist options appraisal used the following assumptions which are different from the financial business case included within the SOC:

- A five year cost benefit period;
- Assumed no savings resulting from a move away from the Local Government Pension Scheme;
- Included client side cost which have not been taken into account at this stage in the SOC financial case.

6.7 The table below shows CBC’s element of the strategic outline case.

	Year 1 2015-16	Year 2 2016-17	Year 3 2017-18	Year 4 2018-19	Year 5 2019-2020	Year 6-10 2020-2014	Total Years 1-10
	£000	£000	£000	£000	£000	£000	£000
<b>Estimated Programme Costs</b>							
Capital	0	0	0	0	0	0	0
Revenue	555	360	510	200	195	0	1,820
<b>TOTAL</b>	<b>555</b>	<b>360</b>	<b>510</b>	<b>200</b>	<b>195</b>	<b>0</b>	<b>1,820</b>
<b>Funded by</b>							
TCA Bid 2015-16	555	170					725
Council Contribution	0	190	510	200	195	0	1,095
<b>TOTAL</b>	<b>555</b>	<b>360</b>	<b>510</b>	<b>200</b>	<b>195</b>	<b>0</b>	<b>1,820</b>
<b>ANNUAL SAVINGS</b>	<b>310</b>	<b>445</b>	<b>180</b>	<b>130</b>	<b>40</b>	<b>215</b>	<b>1,320</b>

6.8 The estimated programme costs fall into 4 broad areas:

- **Programme Management** – establishment of a programme office, programme director, programme managers and ancillary support
- **External expertise** – actuarial advice, legal, HR, finance, taxation and potentially procurement, backfill for finance, HR, etc
- **ICT Systems** – secure network, backfill to release ICT capacity in the existing shared services, joining up service applications, etc
- **One-off transition costs** – these include, for example, one-off employee costs arising out of further sharing between the partners, backfilling of posts

6.9 The S151 Officers have undertaken a cost estimation exercise to identify each partner councils own contribution towards the total programme costs. At this point a pragmatic cost/benefit analysis has been used, which has resulted in a percentage allocation of the total costs across



the partnership. Based on this approach CBC's contribution to the total programme costs is £1.82M.

- 6.10 Members will be aware that 2020 Vision has been awarded Transition Challenge Funding totalling £3.8M; the most recent award of £2.9M being made on 28 November. The initial funding of £900K has been utilised to fund advice on interim arrangements, actuarial advice, investment in ICT infrastructure to underpin shared services and resourcing the shared public protection project between 3 of the partner councils. The balance of the £900K will be used to fund transformation costs associated with the interim management arrangements, funding further investment in the information technology infrastructure and to provide resource for the programme management.
- 6.11 The remaining £2.9M has been shared equally between the councils ie £725K each to be used as a contribution towards individual council programme costs.
- 6.12 Based on the S151 Officers estimation of savings from 2020 Vision CBC anticipated annual savings by year 10 is expected to be £1.32Mpa with 83% of that saving being delivered by year 5. This therefore leaves a balance of £1.095M which will need to be funded by way of a Council contribution.

## 7. 2020 Vision and the Medium Term Financial Strategy

- 7.1 Since 2009/10, the Council's core funding from the Government has been cut by some £5 Million, from £8.8 Million to £3.8 Million.
- 7.2 The most up to date projection of the MTFs, prepared in the development of the interim budget for 2015/16, estimates a budget gap for the period 2016/17 to 2018/19 of £2.621M.
- 7.3 The council has been very proactive in responding to the challenge of reduced funding and has been extremely successful in delivering savings and additional income from its approach to commissioning of services including sharing services with partner councils.
- 7.4 The savings from sharing services including one legal, building control, Audit partnership, GOSS, ICT have arisen through a combination of: savings in management costs; reduction in staffing as a result of removal of the duplication and the sharing of systems licensing costs e.g. Agresso; supplies and services costs and joint procurement of services e.g. GOSS banking contract. As such, the council has demonstrated a track record in delivering these savings and reducing the costs of services as a result.
- 7.5 Looking ahead, the council has plans to reduce the funding gap further through planned work streams including the accommodation strategy and through initiatives from the joint Waste committee. However, this will still leave a residual funding gap over the period 2016/17 to 2018/19 of £1.48M.
- 7.6 The proposals outlined in the 2020 Vision project are supported by savings from joining up services, based on past experience and local knowledge of services of the potential for savings. The table at 6.7 indicates that the council residual funding gap has the potential to be met over time from the 2020 Vision project.

## 8. Interim Management Arrangements

- 8.1 If Cabinet endorses the recommended way forward while the partnership venture is being created, service delivery must be maintained. The Activist report identifies four main roles that will need to be in place to support members in overseeing and scrutinising the development of the 2020 Vision:

- Head of Paid Service

- Interim Lead Commissioner (new role – part time)
- Interim Managing Director of the partnership venture (new role – part time)
- Programme Director (new fixed term post – full time 18-24 months)

**8.2** The individuals occupying the above roles will be those most closely focused on the programme and will need to work together forming the core officer leadership of the programme and sharing responsibility for its successful delivery.

**8.3** The indicative level for the interim roles of Lead Commissioner and Managing Director are Chief Executive/Head of Paid Service. This will be important if the role holders are to be able to drive forward the change with the necessary level of officer authority. The proposal is that the 2020 Programme Board allocate the principal interim roles and appoint the programme director

## **9. 2020 Vision - The Proposed Way Forward**

**9.1** Given the position with regard to the MTFs funding gap and the desire on the part of the 2020 Vision partners councils to make progress on joint projects and to continue to build upon already established partnership working, it is being recommended that a shared services partnership venture be created in early 2015 between the 4 councils and that a joint committee be created for an interim period operating under a Memorandum of Understanding (MoU).

**9.2** If the recommendations within this report are approved the next steps will be to allocate the roles of Interim Lead Commissioner and Interim Managing Director and to recruit the Programme Director. Once in place these officers will form the sponsoring group for 2020 Vision.

**9.3** Legal colleagues are currently preparing a first draft of the MoU for consideration by the 2020 Programme Board and once finalised this will be brought back to the partner councils for consideration and adoption.

**9.4** At the same time as the MoU is being developed and discussed the programme office will be created with project managers recruited as necessary and the Programme Director will work with the sponsoring group to further develop the programme plan.

## **10. Designing Commissioning**

**10.1** The ownership of any new organisation created will be key to deciding on the nature of the commissioning function. If the new organisation has owners that are fully independent of the Councils the commissioning function could not form part of that new organisation. The scope of a commissioning function might include the management of a contract with a new joint body but could also include other contracts and partnerships.

**10.2** The Activist report suggests a principle that “each partner authority will have access to directly managed commissioning support that will enable it to develop and set its strategic policies; source service provision; and manage its contracts and relationships with a range of service providers, and also that the partners be committed to sharing their commissioning support wherever possible”. The report also includes a recommendation that the partners establish a project to develop effective commissioning for each authority.

## **11. Retained Functions**

**11.1** As 2020 Vision progresses each authority will need to consider carefully, which if any services, it wishes to retain.. The commissioning and retained functions will need to be managed and co-

ordinated on behalf of each Council and this can be conducted by a retained Head of Paid Service with the support of the other statutory posts. These posts will continue to support elected members in ensuring that the interests of each authority are properly protected and the authority's decision-making, scrutiny and governance arrangements operate effectively. However each of these posts could also be shared with other partner authorities.

### **12. Pensions Update**

- 12.1** The June 2014 report and outline business signalled the potential to transfer staff to a new employing body. While protecting the terms, conditions and pensions of staff transferred, the proposal was for new starters would be employed on new terms and conditions and would have a stakeholder pension scheme rather than access to the LGPS.
- 12.2** The partners engaged specialist advice on pensions from AON Hewitt who have suggested that the rate of employer contributions to the pension scheme will almost double over the next 20 years. Before confirming the viability of the potential solution to the affordability of current pensions, some key issues must be resolved including the current regulatory regime which acts as a barrier to change. Changes would be needed to the LGPS regulations to overcome this problem and the Secretary of State has asked his officials at the DCLG to discuss these issues with the partner authorities.

### **13. REST Project**

- 13.1** Members will be aware that the other 3 partner councils have been developing a business case for a shared public protection and regulatory service. Work has progressed to the extent that the councils concerned will have, or will be by the time this report is considered, recommending the creation of a shared Public Protection and Regulatory Service between West Oxfordshire, Cotswold and Forest of Dean working towards the implementation of a shared service from April 2016. Members will also be aware that this Council has its own REST (Regulatory and Environmental Services) project and systems thinking work is currently taking place. Therefore, whilst CBC is not part of the 3 way shared service officers continue to collaborate in particular with regard to the potential for sharing the same ICT platform, opportunities where they exist for shared back office functions, and also with regard to specialise and residual functions and the managing of vacancies.
- 13.2** Any savings arising out of the REST project will be in addition to the savings outlined in the SOC.

### **14. Reasons for recommendations**

- 14.1** As explained in the body of the report.

### **15. Alternative options considered**

- 15.1** In considering alternative options to 2020 Vision it is perhaps useful to reflect on the 2014-15 Budget proposals report considered by Council on 8 February 2014. The report explained that the Cabinet's key aims in developing the budget were to;
- Do everything possible to protect frontline services
  - Continue to develop longer term plans for efficiencies over the period of the MTFs including increasing emphasis on shared services and commissioning services.
- 15.2** CBC has over a number of years used the Bridging the Gap programme, and a commissioning approach, to deliver efficiencies and savings through the implementation of a number of strategic approaches.

- 15.3** For example, a number of services have undergone re-design using systems thinking, eg, revenues and benefits, planning, leisure and culture, with the objective of streamlining to improve customer experience and reduce cost. Systems thinking is a key element of the commissioning process and is currently being used in Environmental and Regulatory Services Directorate in the REST project. The REST project itself aims to deliver £155,600Kpa savings by 2015/16.
- 15.4** In delivering its budget strategy Cabinet has been keen to support tax payers through the recent period of austerity and has not increased Council Tax for the last 4 years, and in the 2014-15 budget froze car parking charges, building control fees and garden waste charges. Members will be aware that increases in Council Tax above 2% will require a referendum and that a 1% increase in Council Tax only equates to £74K. Members may feel that now is the time to review the policy on freezing Council Tax and some fees and charges as a way of helping to bridge the MTFS gap.
- 15.5** Options for sharing with other partner councils have continued to be explored as opportunities have arisen but none has materialised in recent years.
- 15.6** In April 2012 the council approved the creation of Ubico, a local authority company owned by CBC and Cotswold District Council. Ubico has proved to be very successful and has delivered £144.7Kpa savings to CBC since its creation. Ubico has also attracted much interest from other local authorities who are keen to join and this in itself brings a financial benefit to the shareholding councils by way of a joining fee and also through the sharing of overheads which improves the surplus returned to the shareholding councils.
- 15.7** And most recently, on 1 October, The Cheltenham Trust was launched which now runs the Council's leisure and cultural venues and facilities whilst at the same time being contracted to deliver over £800Kpa savings to CBC over the lifetime of the current MTFS. Had the Council not created the trust it would have had to find those savings from elsewhere within its budget. Also, moving forward, the trust, as an independent charity, will have access to external funding which it would not be possible for the Council to secure and this will be important as investment in the venues and facilities is a key issue for both the trust and CBC.
- 15.8** However, as outlined in this report, it is acknowledged that the MTFS is not balanced and this is why CBC needs to continue to work to bridge the gap. If 2020 Vision is agreed to be the way forward for future service delivery it will make a significant contribution to bridging the MTFS. Notwithstanding the above, however, Cabinet is also mindful that 2020 Vision poses a significant strategic decision. With that in mind, Cabinet has asked for further consideration to be given to whether there are alternatives to 2020 Vision.
- 15.9** With regard to other alternative options which the Cabinet may wish to explore it must be recognised that the £3.8M Transition Challenge Fund award can only be used for 2020 Vision. Any alternative options requiring one-off capital investment would need to be funded by CBC.
- 16. Consultation and feedback**
- 16.1** The work undertaken by Activist has been based on wide and extensive consultation and engagement across the partnership authorities. Individual interviews, workshops and group sessions have been held with members and officers and the report conclusions are based upon that active engagement.
- 16.2** Partners and other key stakeholders are being kept up to date with the progress being made with 2020 Vision. Updates have been given to CBH strategic management team and on 10 December the Chief Executive will be presenting to the CBH Board. The Cheltenham Partnership Strategic Leadership Group has been advised of progress and a presentation was made to the partnership by the Leader on 18 November 2014.
- 16.3** If approved the capital funding allocation for 2020 Vision will form part of the 2015-16 budget

consultation exercise.

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

- 17.1** The programme is currently being managed through a Programme Board comprising Leaders, Cabinet Members and Chief Executives of each of the partner authorities. A Programme Team, chaired by the Chief Executive of Cotswold and West Oxfordshire, has guided the project to this point. The Council’s Deputy Chief Executive is a member of the Programme Team. A programme office has been established to support the programme with representation from each of the partnership authorities.
- 17.2** If the recommendations within this report are adopted then the programme governance will be reviewed in line with allocation of interim roles and the appointment of the Programme Director. The Managing Successful Programmes (MSP) standard will be adopted.
- 17.3** CBC Senior Leadership Team currently receives updates at its monthly Operational Programme Board on the current status of the programme. This will continue as 2020 Vision continues.

<b>Report author</b>	<b>Contact officer: Pat Pratley; Deputy Chief Executive Pat.Pratley@cheltenham.gov.uk, 01242 775175</b>
<b>Appendices</b>	<ul style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Activist Report – Executive Summary – A 2020 Vision for Joint Working – Report on Options for Future Delivery Models and Interim Management Arrangements – v3 20 November 2014</li> </ul>
<b>Background information</b>	<ul style="list-style-type: none"> <li>1. Activist Report – v3 20 November 2014</li> <li>2. Strategic Outline Case</li> </ul>

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
1	If political change leads to one or more partners becoming less willing to participate in the partnership then decision making will become more difficult and a partner may wish to withdraw	CBC Chief Executive	28/11/2014	4	3	12	Reduce/ Accept	<p>Ensure that this risk is fully assessed.</p> <p>Plan to keep all Members fully up to date concerning the benefits of the partnership.</p> <p>Include very clear exit strategies and conditions in the partnership agreement including financial and reputational impact, and gain agreement before the partnership commences.</p>	<p>March 2015</p> <p>Ongoing</p> <p>Spring 2016</p>	<p>Programme Director</p> <p>Programme Director</p> <p>Monitoring Officer</p>	
2	If customers perceive reduced services and/or reduced staffing then the partnership's reputation will be damaged.	CBC Chief Executive	28/11/2014	3	3	9	Reduce	<p>Ensure communication about any changes and the reasons for them is clear and understood.</p> <p>Boost support for problematic areas at the beginning of the change</p>	<p>Ongoing</p> <p>Sept 2015</p>	<p>Programme Director</p> <p>Interim Managing Director / Programme Director</p>	

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
3	Members may lose confidence if the service delivery arrangements resulting from 2020 Vision do not give them clear links to input their views and resolve constituents issues	CBC Chief Executive	28/11/2014	4	3	12	Reduce	Cabinet being asked to agree “principles” of service design in Activist report, one of which specifically recognises the need for “Access to knowledgeable staff who understand their localities and can support members with their decision making”.	Spring 2016	Programme Director	
4	If the programme’s implementation period is too protracted then the level of change in Local Government policy and funding may produce a drop in performance and may make the programme difficult to complete.	CBC Chief Executive	28/11/2014	4	3	12	Reduce	Ensure programme is well phased and that opportunities for successful quick wins are exploited.  Hold regular forward looking reviews to ensure future changes are assessed and incorporated.	March 2015  Ongoing	Programme Director  Programme Director	

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
5	If partners become frustrated with progress being at the rate of the slowest then they may look for opportunities elsewhere.	CBC Chief Executive	28/11/2014	4	3	12	Reduce	<p>Ensure phasing of programme is understood and agreed.</p> <p>Ensure plan takes advantage of areas where quick progress can be made and allows for those areas which need to move more slowly.</p>	<p>Ongoing</p> <p>March 2015</p>	<p>Programme Director</p> <p>Programme Director</p>	
6	If services cannot be sufficiently standardised then there will be a drop in performance and benefits will not be delivered.	CBC Chief Executive	28/11/2014	3	3	9	Reduce	<p>Ensure the importance of standardisation is understood and agreed.</p> <p>Analyse services to make sure areas of non-standardisation are understood and the impact assessed and agreed.</p>	<p>June 2015</p> <p>June 2015</p>	<p>Interim Managing Director</p> <p>Interim Managing Director</p>	



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

7	If staff do not wish to transfer to the new model then experienced staff may leave leading to the partnership being unable to maintain performance levels and redundancy payments will be much higher than anticipated.	CBC Chief Executive	28/11/2014	4	2	8	Reduce	Ensure that the concerns of staff are understood and plans made to mitigate them and make new posts attractive.	June 2015	Interim Managing Director	
8	If ICT systems are difficult or impossible to rationalise then benefits will be lost and/or costs will increase.	CBC Chief Executive	28/11/2014	3	3	9	Reduce	Ensure all ICT systems in scope are analysed, including contract details, licencing, upgrade schedules, compatibility etc. as part of the business case.	Sept 2015	Programme Director	

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
9	If ICT availability to the partnership is inadequate then services will be disrupted.	CBC Chief Executive	28/11/2014	4	4	16	Reduce	Ensure continuity planning is carried out and implemented as part of the programme.	June 2015	Interim Managing Director	
								Redraw continuity plans jointly across the partnership.	Sept 2015	Interim Managing Director	
								Ensure costs for continuity are included in the business case.	Sept 2015	Programme Director	
10	If changes in circumstances mean one or more partners need to reduce the amount of budget they pay into the partnership then costs will increase costs for others and threaten the stability of the partnership	CBC Chief Executive	28/11/2014	4	3	12	Reduce / Accept	Ensure the impact of this is assessed in the partnership agreement and the consequences clearly laid out and approved by all partners.	Sept 2015	S151 Officer	

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

11	If partners do not continue with the 2020 Programme but have used the TCA funding then the remaining partners may seek to recover and this may lead to reputational damage	Chief Executive	28/11/14	4	3	12	Reduce	Ensure partners have conducted their own alternative analysis of options	Feb 2014	CBC Chief Executive	
12	If the recommendations in this Cabinet report are not agreed by all partners and CBC is unable to find an alternative way of bridging its financial gap then services to the Cheltenham community may be cut	CBC Chief Executive	28/11/2014	4	3	12	Reduce	Ensure partners of aware of alternatives and their pros/cons and implications.	Feb 2014	CBC Chief Executive	

**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

**Guidance**

Types of risks could include the following:

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

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

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

**Risk ref**

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

**Risk Description**

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

**Risk owner**

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

**Risk score**

Impact on a scale from 1 to 5 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

**Control**

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

**Action**

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

**Responsible officer**

Please identify the lead officer who will be responsible for the action to control the risk.  
For further guidance, please refer to the [risk management policy](#)

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

**Transferred to risk register**

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

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# **A 2020 Vision for Joint Working**

## **Report on Options for Future Delivery Models and Interim Management Arrangements**

### **Executive Summary**

**Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council**

This report was produced on behalf of Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council by Activist Group.

**Report Details**



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## 1. Executive Summary

- 1.1 This executive summary provides an overview of the contents of the report. Each chapter of the main body of the report is summarised and some of the key recommendations drawn out. A summary of all the recommendations and proposed principles drawn from the main body of the report is shown at the end of this executive summary.

### Chapter 2. Introduction

- 1.2 2020 Vision is an ambitious new model for how district councils could work together and is being developed by four partners: Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council.
- 1.3 In June 2014, each of the four councils' cabinets agreed to set up the 2020 Vision Programme Board to develop a programme plan; business case; and consider any efficiency savings that could be delivered for 2015/16 with a further report to partner councils in Autumn 2014.
- 1.4 The four councils have worked together for a number of years to share services. GO Shared Services have been in operation successfully for over two years and the partners have a range of other partnerships.
- 1.5 This has given them the confidence to explore taking a significant step towards much deeper sharing of the staffing resources that enable each authority to function. This would represent the first time that four district councils have shared most of their services.
- 1.6 Activist Group are the authors of this report and were engaged using funding from the Department for Communities and Local Government's Transformation Challenge Award to provide independent advice to the 2020 Vision Programme Board.
- 1.7 This report will contribute to the planning and research being undertaken by the four councils' officers to develop the proposals that each council will consider before deciding whether and how to proceed. This report focuses on two principal issues:
- The **options for the delivery models** that would be needed to make this possible.
  - The **interim management arrangements** that will be needed to make the transition to the models if the partners decided to go ahead.

### Chapter 3. What's Driving 2020 Vision

- 1.8 The report examines what is driving each authority to explore 2020 Vision. We examine what is distinctive about the authorities; what they have in common; the strengths that they can draw on in tackling radical options for the future; and whether the motivations for exploring 2020 Vision provide a sufficient basis for the partnership.

- 1.9 2020 Vision sets out an ambition for the authorities to become more efficient and effective by working together but without sacrificing their sovereignty – in fact, their ability to take the decisions needed for their locality would be strengthened.
- 1.10 The strategic priorities set out in each authority's corporate plans demonstrate many similarities, including:
- The importance of value for money and efficiency.
  - A commitment to the environment.
  - Working with and supporting their communities.
- 1.11 There are some significant differences in emphasis and policies that are likely to be a reflection of differences in political control, but also in the nature of the locality. They also have differences in their size, population and prosperity. However, while there are differences between the authorities and the areas they serve, these are greatly outweighed by the similarities.
- 1.12 The four authorities share a focus on efficiency and on achieving value for money for council tax payers. This concern for efficiency goes hand-in-hand with the partner authorities' shared vision of a district council having a wider responsibility for what is often characterised as 'place-shaping'. The authorities play a community leadership role - providing a long term vision for the locality; identifying how the needs of their locality will be delivered; and acting as champions of their communities on behalf of their citizens.
- 1.13 A key shared challenge is addressing the year-on-year reductions in central government grant to local authorities. Each of the council's medium term financial strategies require significant savings - even before any further reductions in funds for local government that are expected to materialise after the General Election in 2015. Additionally, all four councils face a longer-term challenge - how to deal with the increasing costs of funding the employers' contributions to the Local Government Pension Scheme (LGPS).
- 1.14 There are three principal options open to each authority to make the savings needed:
- Achieving **economies of scale**
  - **Redesigning the service**
  - **Redefining the service**
- 1.15 The authorities have made it clear that they would prefer not to make reductions in service levels or cut non-statutory services if at all possible.
- 1.16 Set against these constraints, each authority will need to decide whether there are alternatives to 2020 Vision that could provide savings on the scale required.
- 1.17 The four authorities are not 'identikit' in their cultures and styles. They share similar approaches to their roles as authorities: they share a commitment to 'place shaping' while having a strong commitment to efficiency. Nevertheless, there are differences in emphasis and differences in political and managerial culture and style.

- 1.18 We found that the experience of the four authorities' collaboration to date was positive. In tackling ambitious projects together, they had been able to overcome the difficulties that do arise and had developed a high degree of trust and confidence in each other.
- 1.19 We also found that members had a great deal of confidence in their officers' ability to tackle challenging projects and programmes. That confidence is built on a history of investment in the knowledge and skills needed. Additionally, whilst there was a strong emphasis on the need for efficiency savings, there was also a recognition that sharing could provide access to greater capacity and help make services more resilient.

**Table 3.6: Summary of Drivers for 2020 Vision**

<ul style="list-style-type: none"><li>• <b>Financial:</b> we need to respond to long-term financial pressures on the four councils.</li><li>• <b>Efficiency:</b> we need to continue to find ways of delivering value for money (even if we didn't face the current financial pressures).</li><li>• <b>Resilience:</b> each authority needs a wider pool of expertise and greater capacity to respond to events.</li><li>• <b>Impact:</b> more depth in strategic capacity is needed to support the drive towards service improvement and wider social and economic benefits in each locality.</li><li>• <b>Democracy:</b> each authority needs to have sufficient resources to be able to exercise choice and community leadership so that it can champion local needs and priorities.</li></ul>
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- 1.20 In summary, the reasons why each partner is exploring 2020 Vision are very similar; the partners have much in common and have a track record of working together that gives them the confidence that it could be possible to achieve even more through closer collaboration.

## Chapter 4. Challenges, Risks and Outcomes

- 1.21 We examine in this chapter the particular challenges faced by the four authorities and the opportunities that can be taken. We conclude by identifying what the end results are that the programme would need to achieve - the intended 'outcomes'.
- 1.22 Through the process of engagement undertaken in developing this report, we set out to capture people's ideas, concerns and fears about the programme. Some of these represent potential risks that need to be managed; some are matters of policy that can be readily addressed; and others represent more fundamental challenges that the partners will need to consider further. For each challenge, we summarise the key issues raised and suggest in the report how these can be best addressed.

### Challenge 1: Staying Local

- 1.23 2020 Vision aims to preserve the sovereignty and identity of each local authority, but there were concerns about the danger of eroding them if collaboration led to complete standardisation.

**Challenge 2: Managing Complexity**

- 1.24 There was a strong emphasis on the importance of ensuring that new arrangements were both transparent and readily understandable - some members pointed to the complexity of their existing sourcing arrangements and suggested that the opportunity could be taken to streamline their management and governance.

**Challenge 3: Taking People with You**

- 1.25 The importance was stressed of engaging with and informing elected members so that they are able to shape the development of the programme and, ultimately, make the right decisions about the programme. The importance of engagement with staff and trade unions was stressed along with the need to ensure the public are informed properly about the plans.

**Challenge 4: Creating the Capacity**

- 1.26 It was repeatedly emphasised in our discussions that the intention of 2020 Vision is that the public should not notice any adverse impact of any changes in the way that the services are organised. The importance of investing in the resources needed to make the change possible was underlined.

**Challenge 5: Policy on Pensions**

- 1.27 The Report and Outline Business Case considered by the cabinets in June 2014 signalled the potential to transfer staff to a new employing body. While protecting the terms, conditions and pensions of staff transferred, new starters would be employed on new terms and conditions and would have a stakeholder pension scheme rather than access to the LGPS, which provoked differing views.
- 1.28 The partners engaged specialist advice on pensions from AON Hewitt, whose projections suggest that the rate of employer contributions to the pension scheme will almost double over the next twenty years.
- 1.29 The scale of this challenge is not yet widely understood, nor is the impact yet confirmed of the proposed solution of moving to a stakeholder pension scheme for new starters. As a result, it is proposed that the partners take time to fully explore the reasons for and feasibility of moving away from the LGPS for new starters before agreeing their policy position.

**Challenge 6: Understanding the Alternatives**

- 1.30 We explored the alternatives that authorities have in trying to make efficiency savings. While authorities may feel they have exhausted many of the options, the service and budget planning process in each authority will enable them to consider the options further and individual authorities may need to pursue them in greater depth.

### Proposed Outcomes Framework

- 1.31 We tested what the partners would want to achieve from 2020 Vision. Given the feedback and points raised, we have developed a proposed outcomes framework. This framework is set out below and is of central importance in informing decisions on service design and the choice of sourcing options.

**Table 4.8: Proposed Outcomes Framework**

**In creating 2020 Vision, we need to achieve the following end results:**

Outcome	Contributory outcomes
Savings	<ul style="list-style-type: none"> <li>• Delivers realistic and sustainable revenue savings.</li> <li>• Provides a positive return on investment in the medium to long term.</li> <li>• Enables us to make further savings through partnership and better asset management.</li> <li>• Enables opportunities for income generation.</li> </ul>
Influence	<ul style="list-style-type: none"> <li>• Respects our separate identities as individual authorities.</li> <li>• Ensures our decision making will remain locally accountable.</li> <li>• Strengthens our ability to exercise community leadership on behalf of our localities.</li> <li>• Allows us to retain strong local knowledge in our frontline services.</li> <li>• Provides each authority with impartial commissioning and client side advice from people they trust.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Enhances and maintains good quality services to the public.</li> <li>• Allows us to nurture our partnerships and take advantage of new ones.</li> <li>• Creates organisations that are flexible and adaptable to future changes.</li> <li>• Has governance and structures that are streamlined and easy to understand.</li> <li>• Is widely acknowledged to be socially responsible.</li> </ul>
Creativity	<ul style="list-style-type: none"> <li>• Empowers staff to be creative, collaborative and enquiring.</li> <li>• Supports our commitment to a public service that responds to and empowers our local communities.</li> <li>• Fosters and rewards an innovative, can-do approach to delivering services.</li> </ul>

## Chapter 5. Service Design

### Service Design Options

- 1.32 We have identified a number of key concerns and issues raised by members and senior managers that would need to be addressed if 2020 Vision is to succeed and these have

been addressed in the outcomes framework. They include a number of service design matters which we examine in turn before suggesting ways of addressing them.

- 1.33 At the heart of service design is an understanding of the needs and aspirations of the user (whether as a citizen, resident or business); a definition of the service on offer and service levels; and communication between the user and service provider.

### Local Focus and Knowledge

- 1.34 Each of the partner authorities currently offers its users three entry points for contacting and transacting with the council: through reception points, call centres and online. In most cases, enquiries and service requests can be dealt with at the first point of contact (and, increasingly, through web-based self-service). However, for a number of services, there will be a need for a meeting or phone call with a specialist or for a visit to the home or business premises.
- 1.35 Greater scale and streamlined management structures can help to make other front office and professional services more efficient and cost-effective. However, some services demand a local presence (eg environmental health) and others demand local understanding (eg planning). As a result, it is essential that any configuration of services is both **manageable** and enables staff to remain **knowledgeable**. There is also concern about the impact on staff of transferring operations to remote locations and of the loss of local employment opportunities in each area.
- 1.36 An approach is proposed that will assist in ensuring that the right balance is struck between ensuring that a strong local focus is retained while taking the chance to consolidate and streamline back office services.

### Identity and Branding

- 1.37 The identity and brand of an organisation are not superficial marketing concepts that are of little consequence; they are profoundly important in ensuring that the public understand what their council does and that staff understand who they work for.
- 1.38 If any new organisations created through 2020 Vision were to develop a strong, new brand, this would help with marketing their services to other potential partners and external customers. However, if this branding were used more prominently locally, this could serve to confuse citizens and businesses.
- 1.39 For staff, the identity of the organisation they work for is an essential part of their sense of purpose and attachment. The more they identify with their organisation and its aims, the greater will be their commitment and effort. Given the strong concern expressed about the risk of losing a connection with both the place and the council of which staff feel proud, a more subtle approach is required, which recognises both the new organisation they work for and the councils and places they serve.

### Local Discretion and Standardisation

- 1.40 A number of areas of policy which the partners have each stressed they must retain sovereign control over include:
- Strategic planning policy: decisions over the local planning framework are of great political sensitivity and may require participation in different regional and sub-regional planning policies beyond the initial four partners in 2020 Vision.

- Local planning decisions: members are keen to ensure that they continue to be able to take decisions that reflect the fine grain of local development considerations.
- Parking policies: each authority takes a different approach to the setting of car parking charges to reflect local issues such as traffic levels; the environmental impact of car use; and the vibrancy of the local retail economy.

1.41 These red line policy issues do not mean that it is not possible to share many or all of the services that support the decision-making process. There are also many aspects of service delivery that members and officers are happy to standardise, particularly 'back office' operations.

1.42 It would not be feasible or sensible to try to identify in advance all of the issues that could not be delegated to a new joint organisation to decide. Instead, a practical approach taken in the partners' other shared service partnerships has been to identify these as part of the process of planning a new shared service.

### Designing Commissioning

1.43 The **ownership** of any new organisation created will be key to deciding on the nature of the commissioning function. If the new organisation has owners that are fully independent of the councils (eg in the case of a staff-owned mutual or a private sector partner), the commissioning function could not form part of that new organisation.

1.44 The **scope** of a commissioning function might include the management of a contract with a new joint body (depending on the sourcing option chosen) but could include other contracts and partnerships. In the new arrangements it is envisaged that each authority will be able to decide which joint service it will participate in and which it will be able to commission separately if it wishes.

1.45 It is recommended that the partners create a shared commissioning function to manage their relationship with any new joint body and strengthen their ability to manage their relationships with other partnerships and service contracts. This should also deliver further savings and efficiencies.

### Retained Functions

1.46 The commissioning function and any retained functions will need to be managed and co-ordinated on behalf of each council and this can be conducted by a retained Head of Paid Service with the support of the other statutory posts. These posts will continue to support elected members in ensuring that the interests of each authority are properly protected and the authority's decision-making, scrutiny and governance arrangements operate effectively.

1.47 In considering services that might be retained, there have been suggestions that these could include strategic planning advice and democratic services or other unique community support functions. Each authority will need to decide which services it wants to retain under direct control.



- 1.48 Past experience from elsewhere suggests that the size and functions of any retained functions must be kept under review to avoid the risk of retained and client side units 're-growing' and duplicating activities that are being delivered by service providers.

## Chapter 6. Sourcing Options

- 1.49 There are numerous choices available for securing the sourcing model best able to meet the outcomes expected for 2020 Vision. Whereas in the past, the choice could be represented as a simple 'make or buy' decision, there is now a much greater variety of sourcing options in use by local authorities. Each model has particular strengths and weaknesses and the choice of model will depend on what the commissioner is trying to achieve.

**Table 6.1: Overview of Main Sourcing Options**

Make	Buy	Share	Divest
<ul style="list-style-type: none"> <li>In-house transformation</li> <li>Continuous improvement</li> <li>Arms-length company</li> </ul>	<ul style="list-style-type: none"> <li>Outsourcing to private sector</li> <li>Outsource to third sector</li> <li>Private-sector joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>Shared services</li> <li>Shared management</li> <li>Public sector joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>Transfer community manager</li> <li>Mutualisation</li> <li>Devolve town or parish</li> <li>Closure</li> </ul>

- 1.50 In this chapter, we summarise the main features of the following longlisted options:

**Table 6.2: Longlist of Sourcing Options for 2020 Vision**

Type	Potential Option
Make	<ul style="list-style-type: none"> <li>As is (or suggested as 'in-house transformation').</li> </ul>
Buy	<ul style="list-style-type: none"> <li>Private sector joint venture (only if there is a particular need for external capital or skills).</li> </ul>
Share	<ul style="list-style-type: none"> <li>Arms-length company (Teckal) jointly owned by partner authorities (ie a public sector joint venture).</li> <li>Jointly owned trading company.</li> <li>Shared service model (lead authority or joint committee).</li> </ul>
Divest	<ul style="list-style-type: none"> <li>Spin-out to mutual or charitable trust.</li> </ul>

### Shortlisting of Preferred Sourcing Options

- 1.51 At this stage, we have conducted a preliminary option appraisal to help identify the sourcing options most likely to meet the outcomes framework set out in Chapter 4. Each of the longlisted models has been evaluated for its contribution to each of the outcomes set out in the outcomes framework, using a simple rating of high, medium and low; no weightings have been applied.

- 1.52 As a result of the shortlisting process, two broad strategic options are recommended for consideration on the shortlist:
- Traditional Sharing (under s101 and s102 of the Local Government Act 1972).
  - Teckal and Trading Companies.
- 1.53 Both options have the merit of being able to deliver significant savings, but without the delays incurred through an expensive procurement exercise. They also have the merit of using partnership models that are tried, tested and trusted already among the partner authorities (eg GO Shard Services, South West Audit Partnership and Ubico).
- 1.54 It should be stressed that this shortlist is based on a preliminary option appraisal. It is suggested that other options should not be discarded at this stage. Instead, a process of discussion, consultation and idea generation should be used to encourage debate that challenges and helps to refine the sourcing options further.

### Recommended Option/s

- 1.55 It is recommended that a new **partnership venture** is established at an early stage under the control of an interim joint committee which would operate as an initial stage before the partners decide whether they wish to retain a joint committee approach or proceed to a Teckal company model. This will allow the partners to investigate and decide upon their policy on future pension arrangements before making a decision in autumn 2015 on the best long-term approach.

## Chapter 7. Making It Happen

- 1.56 2020 Vision represents probably the largest and most complex district council shared service programme in the country. This is understood to be the first attempt by four councils to share services. This is not a project affecting one or two services in a council; it is a major transformation programme of change which will impact on the management of every service in four councils.
- 1.57 The programme is complex and extensive: it will involve the 'hard' side of change, with new organisational governance and structures across four authorities; service redesign; a new IT infrastructure and the integration of IT applications; and all supported by legal agreements, specifications and contracts. The programme will need to manage both these 'hard', technical aspects and the 'soft' elements. It will require thoroughness, determination and subtlety - and a forward momentum that is carefully calibrated.
- 1.58 We set out the key requirements of the programme for:
- Engagement, consultation and leadership.
  - Interim management arrangements.
  - Programme management, timetabling and risk management.

## Engagement, Consultation and Leadership

- 1.59 While each authority will decide its own approach to member engagement, it would be wise for the partner authorities to ensure that each individual partner authority is engaging sufficiently to ensure that its commitment to the programme is broadly based and would survive any political change. This should not be seen as a desire to interfere with the sovereignty of each authority; instead it is a sensible process of 'due diligence' that is required for any formal collaboration between two or more organisations to ensure planned savings can be delivered.
- 1.60 As 2020 Vision focuses on the organisation of its staff resources rather than on the nature of the services that the public receives, it is unlikely to generate significant public interest in the proposals. Nevertheless, each partner authority will want to ensure that the public have sufficient information about the proposals to be able to reassure themselves about the plans and be able to comment if they wish.
- 1.61 An engaged and entrepreneurial culture in which staff are empowered to find creative and innovative new ways of serving their residents and communities is unlikely to flourish in a more traditional, top-down and directive approach to leadership and management. Instead, a more **collaborative** style would be required in which staff are not just informed, consulted or told about change, but are actively involved in its creation.
- 1.62 Consultation, engagement and culture change are recognised as essential to the success of any transformation programme whether in the public or private sectors, but they are seldom given sufficient weight, attention or resources. The partner authorities recognise their importance given their experience of previous joint programmes and projects and have demonstrated their commitment to actively engaging with stakeholders in this programme. This commitment will need to be maintained, backed up by a well-planned and co-ordinated engagement plan that is properly resourced.

## Interim Joint Committee Arrangements

- 1.63 In chapter 6, it is recommended that the new partnership venture would be managed on a transitional basis under an interim joint committee which would be established at an early stage (eg early 2015), operating initially under a memorandum of understanding to focus on:
- Overseeing the development of the detailed programme plans and the final business case for consideration by each partner authority.
  - Overseeing any new sharing projects that the partners agree upon (on a case-by-case basis), eg IT and public protection, and encouraging innovation.
  - Managing any services that were transferred to its management on an interim basis pending final decisions on the way forward.
  - Negotiating the future agreements that will underpin the new partnership venture arrangements, including the financial protocols and charging arrangements.

- 1.64 It is also recommended that the joint committee report to the partner authorities in the autumn of 2015 on final proposals alongside implementation plans to take effect from 2016 onwards.

### Longer-term Management Arrangements

- 1.65 In chapter 6, an approach is recommended in which the new partnership venture (managed initially by an interim joint committee) would operate from the outset in a way that was consistent with its longer-term ambitions.
- 1.66 As a result, before considering the interim management arrangements needed during the development and finalisation of plans for the partnership venture, we have anticipated the potential structure of the partnership venture and the associated commissioning function needed to monitor the relationship.

### Interim Management Arrangements – Principal Roles

- 1.67 The scale of the exercise is such that it cannot be managed as part of the 'day job' for the authorities' officers.
- 1.68 There are four main roles required during the programme's planning and implementation that will need to be in place to support members in overseeing and scrutinising the development of the programme:
- Head of Paid Service.
  - Interim Lead Commissioner (new).
  - Interim Managing Director of the partnership venture (new).
  - Programme Director (new, fixed-term post).
- 1.69 The nature and duration of these roles are examined in turn. Some of these roles will be part-time and can be combined with other functions and some will be full-time (ie the Programme Director post). The new, interim roles and the post of programme director will be the three roles most closely focused on the programme and the postholders will need to work very closely together, forming the core of the officer leadership of the programme, working with the heads of paid service.

**Table 7.2: Implementation of Interim Management Arrangements**

Stage	Timing	This will involve:
Job design	October/November	<ul style="list-style-type: none"> <li>The development of role definitions for interim roles and job description for programme director post, person specification, competency profile and grading.</li> <li>Confirmation of accountability arrangements to programme board and each authority's governance framework.</li> <li>Confirmation of expected start date and duration of interim roles to match programme timetable.</li> </ul>
Structural design	November	<ul style="list-style-type: none"> <li>Design of indicative reporting lines and areas of responsibility for the three interim roles and council decision-making requirements.</li> <li>Development of plans for any consequential cover and acting arrangements.</li> <li>Design of ring-fencing pools for the three interim appointments and agreement of appointment process for programme director.</li> </ul>
Consultation	December	<ul style="list-style-type: none"> <li>Consultation with staff affected by proposals and potential ring-fencing pool.</li> <li>Formal staff consultation procedures as appropriate.</li> </ul>
Selection	January	<ul style="list-style-type: none"> <li>Expressions of interest invited from ring-fenced officer pool.</li> <li>Appointments confirmed by Programme Board or Joint Committee.</li> </ul>
Start	February	<ul style="list-style-type: none"> <li>Interim management arrangements commence.</li> <li>Consequential organisational changes put in place, eg any backfilling and acting arrangements.</li> </ul>

1.70 The final confirmation of the interim management arrangements will need to be established in the light of any conditions associated with the granting by the DCLG of Transformation Challenge Award funding.

1.71 As it is recommended that the interim roles and appointments are ring-fenced initially to internal candidates, it is important that the process of appointing to those roles is transparent; reflects the value the partners place on the postholders; and is pragmatic.

### Programme Management

- 1.72 2020 Vision is such a complex programme it will require the support of a number of Programme Managers who would report to a single Programme Director. Three programme managers would manage three separate workstreams:
1. Programme office.
  2. Strategic, legal, governance and infrastructure.
  3. Implementation.
- 1.73 There would also need to be an investment in a specialist resource to support communication and engagement.

### Observations on Technology Challenge

- 1.74 The 2020 Vision ICT strategy will need to include actions to manage the following challenges and concentrate on:
- Supporting shared working at a communications level, including email, video conferencing, etc.
  - Strengthening areas of weakness, particularly where there has been underinvestment in infrastructure.
  - Exploiting opportunities that fall within the umbrella strategy, or where change is urgent.
  - Combining support teams where capacity is an issue.
  - Developing a fluid application strategy centred round emerging priorities.

### Managing Risks

- 1.75 Risk Management is an essential part of Programme Management and it is important that it is not somehow seen as an 'add on' or something done as a 'checklist'. We have developed an initial risk log which the Programme Board may wish to consider.

### Timescales

- 1.76 An indicative timetable for the proposed partnership venture and interim management arrangements could be as follows:

**Table 7.4: Summary of Timetable for 2020 Vision Programme**

Phase	Timing	Summary	Key Activities
1	Autumn 2014	Preliminary Planning	<ul style="list-style-type: none"> <li>Develop Strategic Outline Case.</li> <li>Design programme plan.</li> <li>Design detail of interim management arrangements.</li> <li><b>Go/No-go decision point for each authority to proceed to next phase: Nov/Dec 2014.</b></li> </ul>
2	Winter 2014 - Spring 2015	Detailed Planning	<ul style="list-style-type: none"> <li>Establish interim joint committee including legal agreements.</li> <li>Implement interim management arrangements.</li> <li>Develop Outline Business Case.</li> <li>Initiate preliminary agreed projects.</li> </ul>
3	Summer 2015	Programme Initiation	<ul style="list-style-type: none"> <li>Develop Full Business Case.</li> <li>Develop draft legal agreements.</li> <li>Confirm whether to retain joint committee or move to company structure.</li> <li><b>Go/No-go decision point for each authority to proceed to next phase: September 2015.</b></li> </ul>
4	Autumn 2015	Initial implementation	<ul style="list-style-type: none"> <li>Develop and manage transition plans, including statutory consultation.</li> <li>Consult on and implement permanent management arrangements.</li> <li>Refine and agree legal agreements, including any contractual requirements.</li> </ul>
5	Spring 2016	Full go-live of partnership venture	<ul style="list-style-type: none"> <li>Transition made to new organisations.</li> <li>Delivery of programme transformation project continues.</li> <li><b>Go-live of new arrangements: April 2016.</b></li> </ul>

## Chapter 8. Summary of Recommendations

### Recommendations 5.1

- That the partners continue to refine their service configuration model to ensure that an effective balance is struck between providing access and support for services that require a local presence and knowledge and the opportunities for efficiencies through co-locating processing and back office functions.
- That staff are trained and inducted in the local dimensions of the service they are providing as part of a comprehensive training and development plan for staff providing services to localities they are less familiar with.
- That the partner authorities establish basic ground rules and training for staff in communications; response times; and in the use of video and conference calls.

### Recommendation 5.2

- That the partners develop a joint protocol and operating guidelines for the management of the identity and branding of any new organisation's services for communication with the public on behalf of the partners; for marketing the new organisation's services; and for use internally for staff.

### Recommendation 5.3

- That the partner authorities establish a framework to govern the development of each new shared service, in which the policies and operations of each service are reviewed to identify those areas of policy and operational decision-making that each authority will retain sovereignty over and those that can be delegated to the shared service.

### Recommendation 5.4

- That the partners establish a project to develop effective commissioning arrangement for each authority, including exploring the potential for sharing commissioning functions wherever possible.



**Recommendations 5.5**

- That the partner authorities identify those services that each authority believes it may wish to retain while exploring jointly opportunities for sharing or transferring to any new joint bodies.
- That the statutory Head of Paid Service, Monitoring Officer and s151 officer posts be reviewed during the course of the 2020 Vision implementation programme and opportunities explored for sharing them where appropriate and practical.

**Recommendation 6.1**

- That the preferred sourcing model for 2020 Vision is a partnership venture. This would initially function as a shared service arrangement operating under an interim joint committee and the partners would decide later whether to continue operating as a joint committee or move to a company model.

**Recommendation 7.1**

- That each partner authority considers the most appropriate way of ensuring effective member oversight and scrutiny of the 2020 Vision programme and that the four partner authorities collaborate to satisfy each other that this engagement will provide the necessary assurances about their long-term commitment to the partnership.

**Recommendation 7.2**

- That the partner authorities create appropriate consultation arrangements to ensure that they are able to benefit from the views of residents and partners.

**Recommendation 7.3**

- That the partner authorities develop an initial statement of the preferred approach to the leadership and management of the new organisations and involve managers and staff in refining, shaping and embedding the approach.

**Recommendation 7.4**

- That the partner authorities establish a comprehensive, co-ordinated and resourced engagement plan for Vision 2020 that enables members, staff, the public

and partners to help shape the proposals and any subsequent implementation plans.

**Recommendation 7.5**

- That appointments to the three principal roles in the interim management arrangements are temporary, interim appointments, ring-fenced initially to the postholders affected by the proposals in the long-term, with the principal postholders taking collective responsibility for the delivery of 2020 Vision.

**Recommendations 7.6**

- That the Programme Board or Joint Committee confirms the appointments to the roles of Interim Lead Commissioner, Interim Managing Director of the partnership venture and Programme Director as set out in table 7.2.
- That independent advice is sought for the appointment process for the interim management arrangements.

## Chapter 9. Summary of Potential Principles

### Potential Principles 5.1

- Residents and businesses will have access to knowledgeable support from staff who understand their localities and can support members with their decision-making.
- Back office services will be centralised where possible and in a balanced way across the partnership, taking into account economies of scale achieved, any additional costs (e.g. initial staff travelling cost and time) and opportunities to reorganise or release office accommodation which delivers a capital sum or a rent.

### Proposed Principle 5.2

- Each partner council's brand identity will, wherever practical, be the most prominent brand for any local service delivered jointly.
- Any new organisation's services will develop a brand identity to use as part of marketing efforts for trading and partnership growth.
- 
- Staff in the new organisation will be supported in identifying both with their new organisation and the councils and localities which they serve.

### Potential Principles 5.3

- The partner authorities will identify matters of policy over which they will each retain their independent decision-making.
- Wherever possible, routine operations and minor policy issues will be standardised in order to maximise efficiency and reduce costs.

### Potential Principles 5.4

- Each partner authority will have access to directly managed commissioning support that will enable it to develop and set its strategic policies; source service provision; and manage its contracts and relationships with a range of service providers.
- The partners are committed to sharing their commissioning support wherever possible.

**Potential Principles 5.5**

- The partner authorities will retain in-house those services that they consider to be unique or of key strategic importance or that are integral to the functioning of their organisation.
- The partner authorities will keep their retained services under regular review in order to identify opportunities for improvement or savings through sharing or commissioning externally.

**Potential Principles 7.1**

- The partner authorities will encourage the development of a collaborative leadership style that actively engages and involves staff in the creation of the new organisations and in the services they deliver for residents and communities.
- Each partner authority will make use of its established staff and trade union consultation arrangements to ensure that effective formal consultation takes place.

**Proposed Principle 7.2**

- All internal appointments to posts as part of the 2020 Vision programme will be made on the basis of the suitability of the individuals for the role.

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