



CHELtenham

BOROUGH COUNCIL

Notice of a meeting of Cabinet

**Tuesday, 13 January 2015
6.00 pm
Pittville Room - Municipal Offices**

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

Agenda

	SECTION 1 : PROCEDURAL MATTERS	
1.	APOLOGIES	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF THE LAST MEETINGS Minutes of the meetings held on 9 and 16 December 2014.	(Pages 1 - 14)
4.	PUBLIC AND MEMBER QUESTIONS AND PETITIONS These must be received no later than 12 noon on the fourth working day before the date of the meeting	
	SECTION 2 :THE COUNCIL <i>There are no matters referred to the Cabinet by the Council on this occasion</i>	
	SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEE <i>There are no matters referred to the Cabinet by the Overview and Scrutiny Committee on this occasion</i>	
	SECTION 4 : OTHER COMMITTEES <i>There are no matters referred to the Cabinet by other Committees on this occasion</i>	
	SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS	
5.	TRANSPARENCY POLICY Report of the Cabinet Member Corporate Services	(Pages 15 - 22)

6.		BUDGET MONITORING REPORT UP UNTIL END NOVEMBER 2014 Report of the Cabinet Member Finance	(Pages 23 - 42)
7.		UBICO EXPANSION OF PARTNERSHIP Report of the Leader	(Pages 43 - 72)
		SECTION 6 : BRIEFING SESSION • Leader and Cabinet Members	
8.		BRIEFING FROM CABINET MEMBERS	
		SECTION 7 : DECISIONS OF CABINET MEMBERS Member decisions taken since the last Cabinet meeting	
		SECTION 8 : ANY OTHER ITEM(S) THAT THE LEADER DETERMINES TO BE URGENT AND REQUIRES A DECISION	

Contact Officer: Rosalind Reeves, Democratic Services Manager, 01242 774937
Email: democratic.services@cheltenham.gov.uk

Cabinet

Tuesday, 9th December, 2014

6.00 - 6.35 pm

Attendees	
Councillors:	Steve Jordan (Leader of the Council), John Rawson (Cabinet Member Finance), Rowena Hay (Cabinet Member Healthy Lifestyles), Peter Jeffries (Cabinet Member Housing), Andrew McKinlay (Cabinet Member Development and Safety), Jon Walklett (Cabinet Member Corporate Services) and Chris Coleman (Cabinet Member Clean and Green Environment)

Minutes

1. APOLOGIES

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting held on 11 November were approved and signed as a correct record.

4. PUBLIC AND MEMBER QUESTIONS AND PETITIONS

None.

5. TREASURY MID-TERM REPORT 2014/15

The Cabinet Member Finance introduced the report and explained that this report was in accordance with the CIPFA Code of Practice on Treasury Management which recommended that members were informed of Treasury Management activity at least twice a year. The report therefore ensured that the authority had adopted the code and complied with its requirements.

The Cabinet Member explained that the main ratings agencies may remove some of the institutions' sovereign support following evolving regulatory changes and that this process may commence during this financial year. Therefore immediate changes to the credit methodology were required with the credit element of Capita's future methodology in future focusing solely on the Short and Long Term ratings of each institution.

The Cabinet Member then explained that the report noted the Council's portfolio position. He reported that external and short term borrowing were at a low level as the council was using internal borrowing to reduce costs. Long term borrowing in terms of the £1.4 m loan taken out in May 2014 on behalf of CBH was cost neutral for the council as CBH were repaying the Council in line with the repayment schedule. Investment growth had increased from £18m to £20.4 m due to increased short term lending. The Cabinet Member reported that the

Council had operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Annual Treasury Strategy Statement. He also reported that the average interest rate for temporary borrowing had been 0.33 % with lending at 0.63 %. He then took the opportunity to thank finance officers for their valued work.

RESOLVED THAT Council be recommended to:

- 1. Note the contents of the summary report of the treasury management activity during the first six months of 2014/15.**
- 2. Approve the changes to the credit methodology whereby viability, financial strength and support ratings will not be considered as key criteria in the choice of creditworthy investment counterparties.**

6. LAND ACQUISITION TO FACILITATE BREWERY DEVELOPMENT PHASE II, 233-243 (INCLUSIVE) HIGH STREET, CHELTENHAM

The Cabinet Member Development and Safety informed the meeting that this item had now been formally withdrawn from the agenda. He explained that the Council had been advised by NFUM that day that an agreement had been reached with Tesco with regard to a redevelopment break option. Therefore it was no longer necessary to proceed with the Compulsory Purchase Order and the comprehensive redevelopment and regeneration of a significant part of Cheltenham High Street would be able to take place.

Members welcomed this development and said it was important that the momentum continued with the regeneration of this area.

7. PITTVILLE SCOUTS HUT IN PITTVILLE PARK

The Cabinet Member Finance introduced the report and explained that Cabinet had agreed a rent subsidy to the All Saints Scouts Group in July 2014 based on the public benefit it brought to young people. This report focused on the renewal of the lease and Cabinet was required to approve this as the land concerned was identified as Open Space. He added that the Scouts Group was a valuable asset and deserved continued support.

RESOLVED THAT

- 1. The land and buildings that are currently let to 10th Cheltenham All Saints Scouts Group be declared surplus for a term of 5 years.**
- 2. Authority be declared to the Head of Property and Asset Management, in consultation with the Borough Solicitor, to agree the terms of the lease**
- 3. Authority be delegated to the Borough Solicitor to execute a lease upon the terms agreed by the Head of Property and Asset**

Management and such other terms as she considers necessary or advisable.

8. LAND ADJACENT TO 6 SAVILLE CLOSE

The Cabinet Member Finance introduced the report and explained that options for the land adjacent to 6 Saville Close had been previously considered and the proposal to lease the land to a voluntary association of local residents had the support of the Asset Management Working group. AMWG supported the proposal to lease the ground for a five year period. As the land was considered to be open space within the statutory definition, notice of the proposed disposal had been given and no objections had been received.

Members felt that this was a sensible way of putting the site into more productive use and at the same time would not only relieve the Council of its maintenance responsibility it would provide residents with a local amenity.

RESOLVED THAT

- 1. the land adjacent to 6 Saville Close and shown edged red on the plan accompanying this report be declared surplus**
- 2. Authority be delegated to the Head of Property and Asset Management, in consultation with the Borough Solicitor, to agree the terms of the lease**
- 3. the Borough Solicitor be authorised to complete the lease upon the terms negotiated by the Head of Property and Asset Management, together with such other ancillary terms and documents as she may consider necessary or advisable**

9. COUNCIL TAX DISCOUNTS ON EMPTY PROPERTIES

The Cabinet Member Finance introduced the report and explained that in December 2012 Council used its new discretionary powers to set the level of council tax discount awarded in respect of certain categories of empty properties which had previously been fully exempt. These new powers provided an opportunity to reduce the level of discounts as a measure to help bring empty properties back in to use and to increase council tax income. The policy had now been in place for a period of two financial years.

He explained that officers had been working with other districts to review the current levels in place and it was now being proposed to change the level of class C properties to 25 % for the first 6 month period after a property becomes unoccupied and substantially unfurnished, instead of 100 % for the first month and 25 % for the following 5 months. It was hoped that this proposal would reduce the potential for dispute between landlord and tenant and generate additional income.

The Cabinet Member Finance explained that this had been generally supported by the Budget Scrutiny Working Group although there was also a suggestion that there should be a 100 % exemption for the first two months of the property being unoccupied and no discount thereafter. He commented that officers felt that this would be complicated to administer but added that it could be considered further if further changes were to be considered next year.

Members supported the proposal and noted that this was a Council decision.

RESOLVED THAT

Council be recommended to

- 1. Set the level of discount for class C empty properties at 25% for the first 6 months**
- 2. Confirm 6 weeks as the minimum required period of re-occupation before a further empty property discount will apply**

10. RECYCLING MATERIALS BULKING AND SALES

The Cabinet Member Clean and Green Environment introduced the report and explained that Cheltenham Borough Council had a contract in place with Printwaste Ltd for the bulking of recycling material collected from the kerbside, bring sites and through the Swindon Road Household Recycling Centre. The current contract extension was due to expire in April 2015. He said that the Gloucestershire "Joint Waste Committee" (JWC) included in its 2014-17 business plan a project "tendering of a new contract for the sale of recyclable material with consideration of associated bulking and transfer operations on behalf of CBC. The Joint Waste Team acting on behalf of the JWC, considered two options, firstly a procurement process through a service concession contract and secondly an option whereby Ubico Ltd would take on dry recyclable material bulking and the JWT having responsibility for marketing and sales of the dry recyclable materials as outlined in paragraph 2.2. of the report.

The Cabinet Member then referred to some minor corrections to the recommendations which Members supported.

RESOLVED THAT

- 1. A further extension of the Printwaste Ltd contract be agreed and Ubico take on the dry recyclable material bulking operation thereafter**
- 2. A project team, sponsored by the Managing Director of Ubico, oversee the transition to the new service delivery for both materials recycling and materials marketing and sales**
- 3. In the framework of the budget cycle, Council be recommended to allocate up to £390K of capital expenditure in the 2015-16 capital budget for this project**
- 4. Responsibility for the sale of the dry recyclable material be taken back by the authority and arrangements be made for the day to day management of material sales to be undertaken by the Joint Waste Team.**

11. BRIEFING FROM CABINET MEMBERS

The Chief Executive took the opportunity to thank those Cabinet Members who had attended the REST event held that day. This was very much appreciated by those officers involved.

12. DECISIONS OF CABINET MEMBERS

The Cabinet Member Finance reported that he had taken the following decisions since the last meeting of Cabinet :

- Approval of the acquiring of the retail land at North Place
- Acquisition of the disused former highway at Warwick Place from Gloucestershire County Council and the owners of Chapel Spa

13. LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS

14. EXEMPT MINUTES

The exempt minutes of the meeting held on 11 November were approved and signed as a correct record.

15. ST PAULS PHASE 2 - TRANSFORMATION IMPROVEMENTS TO 49 PROPERTIES ON FOLLY LANE - REVISED AND FINAL BUDGET PROPOSALS

The Cabinet Member Housing introduced the report which outlined the revised budget proposals for transformation improvements to 49 properties on Folly Lane in the context of the significant investment in the regeneration of St Pauls.

He explained that since the budgets had been agreed for the transformation improvements there has been an increase in costs and therefore the existing funding allocated to the scheme was now insufficient to finance the Total Scheme Costs. He reported that Asset Management Working Group had considered the report but could not support the recommendations.

The Cabinet Member Housing, in his view, believed that there had been a lack of information with regard to the project. This was perhaps due to the pressures of the financial crisis and the focus on bridging the gap and sharing services. As a result he proposed that the resolutions laid out in the report were not taken at this time and instead tabled the following recommendations to Cabinet :

1. CBH, in consultation with the Joint Programme Group, reconsider the St Pauls Phase 2 transformation works specification to enable the project to be delivered within the budgets approved by Council at its meeting on 14 February 2014
2. The Joint Programme Group engage with the Cabinet Member Housing with regard to the re-specification of the project, the estimated project costs and the impact on the overall St Pauls regeneration project
3. With regard to the transformation of the 13 privately owned properties within the St Pauls Phase 2 transformation works project, the Joint Programme Group be requested to provide the Cabinet with a report outlining the options with

regard to the funding for these properties together with an assessment of the associated overall impact on the deliverability of the scheme objectives were all or some of these properties excluded from the transformation works.

The Leader added that it was important that the transformation improvements to Folly Lane were undertaken but as the tender process was considerably over budget it was necessary to assess the situation and understand the issues to see if there were alternative options or if it was necessary to revise the budget. The report had therefore been withdrawn from the Council agenda until this piece of work had been completed. The proposed resolutions represented a sensible way forward.

The Cabinet Member Finance acknowledged that this was a difficult issue. Whilst a mandate had been agreed by Council for these works this was in the form of an appendix to the budget papers without bringing to members' attention to the reasoning behind the project and how private properties are dealt with in this context. He could therefore fully understand that when the report was considered by AMWG it took members by surprise as they did not understand the background nor why it was being taken to Cabinet and Council as an exempt item.

The Cabinet Member Finance also addressed why it was important not to treat the HRA any differently from the General Fund. He supported the new recommendations as it was important to look again to see if the original budgets could be adhered to. This could mean that only the most important part of the project is undertaken.

Members supported the revised recommendations to receive further detail as spending at this level could not be approved with a lack of information.

In summing up the Cabinet Member Housing referred back to the Neighbourhood Renewal Assessment for St Pauls dated 2005 and the 2008 design brief and specification document which were key documents relating to the regeneration of St Pauls. In terms of timeframe to bring a report back to Cabinet CBH proposed February at the earliest.

In response to a question from the Head of Legal Services Cabinet agreed that the revised recommendations and the responses to the member questions for Council should be made public. The Leader informed that under communications at the forthcoming Council meeting he would explain the issue to all Members.

RESOLVED THAT

1. CBH, in consultation with the Joint Programme Group, reconsider the St Pauls Phase 2 transformation works specification to enable the project to be delivered within the budgets approved by Council at its meeting on 14 February 2014

2. The Joint Programme Group engage with the Cabinet Member Housing with regard to the re-specification of the project, the estimated project costs and the impact on the overall St Pauls regeneration project

3. With regard to the transformation of the 13 privately owned properties within the St Pauls Phase 2 transformation works project, the Joint Programme Group be requested to provide the Cabinet with a report outlining the options with regard to the funding for these properties together with an assessment of the associated overall impact on the deliverability of the scheme objectives were all or some of these properties excluded from the transformation works.

Chairman

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Cabinet

Tuesday, 16th December, 2014

6.10 - 6.55 pm

Attendees	
Councillors:	Steve Jordan (Leader of the Council), John Rawson (Cabinet Member Finance), Rowena Hay (Cabinet Member Healthy Lifestyles), Peter Jeffries (Cabinet Member Housing), Andrew McKinlay (Cabinet Member Development and Safety), Jon Walklett (Cabinet Member Corporate Services) and Chris Coleman (Cabinet Member Clean and Green Environment)

Minutes

1. APOLOGIES

There were no apologies.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting held on 9 December would be approved at the January meeting of Cabinet.

4. PUBLIC AND MEMBER QUESTIONS AND PETITIONS

There were no questions or petitions.

5. GENERAL FUND REVENUE AND CAPITAL-INTERIM BUDGET PROPOSALS 2015/16 FOR CONSULTATION

The Cabinet Member Finance introduced the report which set out the Cabinet's interim budget proposals for 2015/16 for consultation. He explained that it was a difficult time for all councils. Core government funding for Cheltenham had been cut by £5 million since 2009/10 and there was likely to be a further grant reduction of 15.3 % in the coming year. Due to the robust local economy the council had a larger share of business rates of approximately £700 k. In terms of efficiency savings £686 k had been incorporated into this year's budget due to the restructuring of senior management, shared services, GOSS procurement and £284 k from the Cheltenham Trust.

The Cabinet Member Finance highlighted the importance of commissioning and shared services which were generating £2.6 m of savings annually and by 2018/19 this would amount to £10.4 m. It was being proposed to freeze Council tax and car parking charges in addition to the weekly charge for the Lifeline service. He reported that there had been an increase in New Homes Bonus income but a cautious approach in its use would continue due to uncertainty about its sustainability longer term. Accordingly the amount of NHB being directly taken into the revenue budget would be 68 % of the total expected income in 2015/16. It was proposed that the remainder should be earmarked for

one off or time-limited spending and £400k would be set aside to fund the initial cost of the restructure for Vision 2020. One off uses included £50 k to support the Community Pride fund. It was also proposed that the council would continue to contract CHAC for its outreach work with the homeless.

The Cabinet Member Finance took the opportunity to thank the Finance Team, in particular Mark Sheldon and Paul Jones, for their work and sense of corporate focus in developing the medium term financial strategy. Public consultation would take place and would be on the website and in leaflets and this year there would be specific consultation on the list of potential capital schemes in the capital programme which represented a real opportunity for residents to help shape the future of Cheltenham. He informed that an open forum on the budget would be held on January 15 2015 at 7pm in the Council Chamber and all were invited to attend.

The Leader added his thanks to all who had been involved in the process. He noted that in previous years consultation had been low as no particularly significant changes had been proposed. This year however there was an exciting opportunity for residents to express their views on the serious projects detailed in the proposed capital programme.

RESOLVED THAT

- 1. The interim budget proposals were approved 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).**
- 2. The growth proposals, including one off initiatives at Appendix 3, be approved for consultation.**
- 3. The proposed capital programme at Appendix 6, as outlined in Section 7 be approved.**
- 4. Authority be delegated 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.**
- 5. Consultation responses, including responses to potential wider investment priorities, be sought by 26th January 2015.**
- 6. It be noted that the Council will remain in the Gloucestershire business rates pool for 2015/16 (para 2.7)**

6. HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL REVISED BUDGET 2015/15 AND INTERIM BUDGET PROPOSALS 2015/16 FOR CONSULTATION

The Cabinet Member Finance introduced the report which summarised the Housing Revenue Account revised forecast for 2014/15 and the Cabinet's interim budget proposals for 2015/16. He made the following points :

- there had been an increase in the surplus for the year of £58k compared to the original estimate and this was despite an increase in repair and maintenance costs.

- Expenditure of £4.5 million to enhance capital expenditure on existing stock
- Investment of £6.7 million in property improvements and major works
- £400 k invested in services for tenants including the vulnerable and those impacted by welfare reform
- Healthy reserves of £2 million
- £188k income had been generated from the feed in tariff due to the investment in solar panels.

He congratulated CBH on these achievements.

The Cabinet Member Finance reported that rents would be increased in accordance with the Government rent formula meaning a 2.2 % increase and would take effect when a property is re-let.

The Cabinet Member Housing added that tenant satisfaction was high. He made particular reference to the value placed on the additional services and support provided by CBH with regard to welfare reform. He paid tribute to the CBH new build programme and the significant investment in housing stock. CBH had undertaken its own consultation with tenants and these comments had been taken into consideration.

RESOLVED THAT

- 1. The revised HRA forecast for 2014/15 be noted**
- 2. The interim HRA budget proposals for 2015/16 be approved for consultation including a proposed rent increase of 2.2% and increases in other rents and charges as detailed at Appendix 5.**
- 3. The rent for all properties be converted to formula rent on re-letting.**
- 4. The proposed HRA capital programme for 2015/16 be approved as shown at Appendix 3.**
- 5. The transfer of £2m to an earmarked revenue reserve be approved to finance future new build in the HRA.**
- 6. Authority be delegated 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.**
- 7. Consultation responses be sought by 29th January 2015.**

7. A 2020 VISION FOR JOINT WORKING

The Leader of the Council introduced the report which summarised the progress which had been made on the 2020 Vision for Joint Working since Cabinet had received a report in June 2014. He explained that due to cuts in the Council's core funding from central Government which were expected to continue beyond the next election, there was an ongoing need to find savings. The Council had

been very proactive to date in responding to the challenge of reduced funding and had been successful in delivering savings and additional income from its approach to commissioning of services including sharing services with partner councils. It was now being proposed to progress the partnership with the GO councils. The Leader reported that the consultants Activist had provided a detailed report on the options on how the project should progress and there were some initial recommendations which required further work. A further report would be considered in September 2015 in terms of any recommendations for future governance arrangements of the partnership venture and which services would be included.

The Leader also reported that the Council was undertaking some work with regard to alternative options. This work would be concluded in the New Year and would be taken on board as part of the Vision 2020 process. He also added that the Vision 2020 work had attracted £3.8 m of Government funding which had been received in 3 tranches. This funding would facilitate further work which was required.

The Leader reported that in the meantime various issues had been raised for consideration including the importance of democratic input from members and scrutiny and which services would be included. In terms of the latter it was important to instigate the commissioning process not on the basis of the savings which could be generated but in terms of the distinctiveness of the service for Cheltenham.

The Leader also made reference to the Regulatory and Environmental Services (REST) project which was running alongside the Vision 2020 process.

In summing up he stated that there was no quick fix but hard work and investment was required through the process. He was aware of concerns and unease which had already been expressed but this was the sensible approach at this stage in the process.

Members that spoke in support of the project recognised the savings that GO had achieved above and beyond what had been anticipated and the annual savings of £1.759 m annually from all shared services. It was now important to carefully consider further the Vision 2020 project so that the council could still provide existing services and it was important to involve and engage with members.

Some Members, whilst acknowledging that in the current financial climate further efficiencies were required and that the delivery of shared services had been successful, believed that it should not be assumed that all shared services would experience the same success. The decision to proceed with Vision 2020 should be taken with full information of the risks and issues involved. It was pointed out that the risk assessment in the report covered the risks of not pursuing this route but did not consider the risks of taking this course of action. It was also essential to take account of the uniqueness of Cheltenham as an urban council compared to the other partners. In this respect the REST project was important to ensure that services could be fully resourced and delivered and this may not solely be applicable to regulatory services. The collection of existing shared service arrangements should also be clarified as the partners were not always the same. Any process which was being followed now should be compared to an alternative which should be equal in importance. It was

important for Cheltenham to have the best possible service delivery arrangements recognising its needs and interests and to facilitate decisions on this each and every Member should have the fullest information in order to make a sensible decision.

The recent LGA peer review process was highlighted in terms of the need for proper scenario planning which emphasised that Plan B should be fully considered. It also recognised the specific culture in Cheltenham and praised the political leadership of the Council which was a credit to all Members of the Council. Taking a lead should be very high up on the agenda. Some members also highlighted that there should be full and proper scrutiny of Vision 2020 and the Plan B Option. The principle of joint working was supported but democratic accountability was essential. As an example it was questioned whether joint working in the context of the Joint Waste Committee was being properly scrutinised.

In summing up the Leader recognised the unease of some members. He highlighted that the commissioning arrangements being pursued in Vision 2020 was not necessarily a "one size fits all" approach but would be different in design. Part of the work being undertaken in "Plan B" incorporated what services should be included and excluded. He also understood the concerns expressed with regard to existing shared services as each one operated slightly differently with varying degrees of complexity. It was important therefore to undertake further work on achieving a more standard approach. Finally he stated that all members would need to know how they could input into the design of the services and how they should operate. In addition the involvement of scrutiny was paramount to the process. The Leader believed that the decision at this stage was an appropriate step and partners were trustworthy in approach.

RESOLVED THAT

- 1. A shared services partnership venture be established 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)**
- 2. It be noted that a further report be brought back to the Council to finalise the Memorandum of Understanding**
- 3. The 2020 Programme Board be authorised to allocate the principal roles of Interim Lead Commissioner, Interim Managing Director of the partnership venture and the appointment of the Programme Director**
- 4. 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 be agreed.**
- 5. The creation of a project to develop effective commissioning arrangements for each authority be agreed, including exploring the potential for sharing commissioning functions where possible**

6. The review of the statutory posts of Head of Paid Service, Monitoring Officer and S151 officer be endorsed 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
7. The principles and recommendations proposed in the Activist report as set out in Appendix 2 to this report be endorsed
8. That a further report be considered in the autumn of 2015 regarding any recommendations for the future governance arrangements of the partnership venture

Council be recommended to approve

9. As part of the 2015-16 budget process, the total allocation of £1.095M one-off funding over 5 years as set out in section 6 of this report.

8. BRIEFING FROM CABINET MEMBERS

The Cabinet Member Healthy Lifestyles informed members that the balance of £40 k from the Health and Equalities Fund from the County Council was open for the second round of bidding which would close at the end of January.

Chairman

Cheltenham Borough Council Cabinet – 13 January 2015 Transparency Policy

Accountable member	Councillor Jon Walklett - Cabinet Member Corporate Services
Accountable officer	Mark Sheldon, Director Resources
Ward(s) affected	None
Key Decision	No
Executive summary	The government has published a new Local Government Transparency Code (the Code) which is mandatory on all local authorities from October 2014 it identifies what information must be published quarterly before 31 December 2014 and annually no later than 2 February 2015.
Recommendations	<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Approves a Transparency Policy statement 2. Approves an amendment to the description of one of the Council’s Core Values so that it will align to the Policy Statement 3. Approves an approach that will lead to the publication of all mandatory data to a minimum 3 star format.

Financial implications	<p>None directly arising from this report.</p> <p>However, the requirement to publish spending information ensures that decisions on spending public money are properly considered.</p> <p>Contact officer: Mark Sheldon</p> <p>Email: mark.sheldon@cheltenham.gov.uk Tel; 01242 264123</p>
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Legal implications	<p>The publication of data is required under the Local Government Transparency Code 2014 (the Code) under section 2 of the Local Government, Planning and Land Act 1980 (the Act).</p> <p>The Government has decided that it should be a legal requirement for local authorities to publish the data specified in Part 2 of the Code. Two statutory instruments are required to achieve this.</p> <p>The Local Government (Transparency) (Descriptions of Information) (England) Order 2014 came into force on 29 July 2014 and allows the Secretary of State to require local authorities to publish data, more frequently than annually, on any expenditure incurred by authorities and any legally enforceable agreements entered into by authorities and any invitations to tender.</p> <p>Ministers have now approved the Local Government (Transparency Requirements) (England) Regulations 2014. These Regulations, which will be made under section 3 of the Act, will make it a legal requirement for local authorities to publish the data specified in Part 2 of the Local Government Transparency Code 2014.</p> <p>The Code of Recommended Practice does not replace or supersede the existing legal framework for access to and re-use of public sector information and the Council will continue to deal with requests under the Freedom of information Act 2000 and the Environmental Information Regulation 2004.</p> <p>Contact officer: Sarah Halliwell, Senior legal advisor.</p> <p>Email; sarah.halliwell @tewkesbury.gov.uk,</p> <p>Tel; 01242 272692</p>
HR implications (including learning and organisational development)	<p>HR has a duty to publish specified information as detailed in the body of the report.</p> <p>Contact officer: Carmel Togher</p> <p>Email:carmel.togher@cheltenham.gov.uk</p> <p>Tel : 01242 775215</p>
Property/Asset Implications	<p>None directly arising from this report.</p> <p>However, the requirement to publish information on the council's property ensures that decisions on asset management are properly considered.</p> <p>Contact officer: David Roberts</p> <p>Email: david.roberts@cheltenham.gov.uk Tel; 01242 264151</p>
Key risks	<p>None</p>

Corporate and community plan Implications	The Council believes that the act of transparency is a key condition and driver for the understanding of its Corporate Strategy and the delivery of its services.
Environmental and climate change implications	None

1. Background

1.1 The Code which applies to all Councils is mandatory and identifies what must be published, and what is recommended for publication.

1.2 We also have a duty under the Freedom of Information Act to maintain a publication scheme listing the classes of information we routinely make available. The Code does not replace these existing arrangements. The Code focusses on a small but key sub-set of information.

1.3 The first set of;

- **Quarterly data** must be published no later than 31 December 2014. The categories for this reporting period are;
 - a. expenditure exceeding £500
 - b. Government Procurement Card transactions
 - c. Procurement information.
- **Annual data** must be published no later than 2 February 2015 and thereafter not less than annually. The categories for this reporting period are;
 - a. local authority land
 - b. grants to voluntary, community and social enterprise organisations
 - c. Organisation chart
 - d. trade union facility time
 - e. parking account
 - f. parking spaces
 - g. senior salaries
 - h. constitution
 - i. pay multiple and
 - j. fraud.

1.4 The Government endorses the five step journey to a fully open format for publication:

- **One star** Available on the web (whatever format) but with an open license
- **Two star** As for one star plus available as machine-readable structured data (eg. Excel instead of an image scan of a table)
- **Three star** As for two star plus use a non-proprietary format (eg. CSV and XML)
- **Four star** All of the above plus use open standards from the World Wide Web Consortium (such as RDF and

SPARLQL21)

- **Five star**

All the above plus links an organisation's data to others' data to provide context.

1.5 The information that we publish will conform to the government's timetable and the three star format it will then strive to deliver the publication in accordance with the four star standard as soon as possible.

2. Transparency Policy Statement

2.1 The Transparency page on the council's website will provide links to a wide range of information about the council's services and its performance. To help customers fully understand the approach being taken to make as much information as possible available a Transparency Policy statement (appendix 2) has been drafted for Cabinet approval.

2.2 The public are encouraged to use and re-use the information that is published by the council freely and flexibly, with only a few conditions as set out in the Open Government Licence for public sector information which the council has adopted. The licence provides guidance as to the use by the public balanced with safeguards for the council with regards to warranties as it accuracy and freedom from errors etc.

2.3 The Transparency Policy statement, if approved will be added to the Council's Transparency Webpage this endorses a commitment to publish all appropriate information. The presumption being that data will be published, provided that in doing so it will not contravene the following restrictions

Restrictions to publication;

- The information relates to personal or sensitive nature
- The information relates to a commercial arrangement in negotiation.
- It relates to the protection of vulnerable adults and children.
- Contravene any legislative requirement e.g. Data Protection Act.

2.4 In addition to the Transparency Policy statement, it is proposed that one of the Council's Core Values be amended so that it will align to the Policy Statement, it is currently;

***Clear and open;** we will be responsive, courteous and fair and be clear and open about what we can achieve and what we cannot.*

This should be amended to;

***Clear, open and transparent;** we will be responsive, courteous and fair and be clear and open about what we can achieve and what we cannot. We will also make available information about the Council's activities that does not involve additional cost, contravene data protection or disclose exempt/commercial information.*

3. Reasons for recommendations

3.1 This new Transparency Policy statement will ensure a clear overview of how published information will be managed and will support and give confidence to residents around transparency.

4. Alternative options considered

4.1 The alternative is to *do nothing*, however this would expose the council to the risk of complaints to the Information Commissioner and adverse audit reports.

5. Consultation and feedback

5.1 The Executive Board have been consulted and they are fully supportive of the proposals.

6. Performance management – monitoring and review

6.1 Service Managers will compile the relevant data and ensure that it meets all statutory requirements. The Corporate Governance Group will monitor what information needs to added and published.

Report author	Contact officer; Corporate Governance, Risk and Compliance officer. Email bryan.parsons@cheltenham.gov.uk, Telephone; 01242 264189
Appendices	1. Risk Assessment 2. Transparency Policy statement
Background information	1. None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likely-hood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Council fails to adopt a Transparency Policy statement, then there is a risk that it could be reported to the Information Commissioner and/or it could receive adverse audit reports resulting in reputational impact.	Director Corporate Resources	17/11/2014	2	2	4	reduce	Prepare a Transparency Policy statement for Cabinet approval	January 2015	Corporate Governance, Risk and Compliance officer	
<p>Explanatory notes</p> <p>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)</p> <p>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)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											

Transparency Policy Statement (for publication on Transparency Webpage)

To be transparent is to be candid, open, obvious, understandable, and frank. CBC believes that the act of transparency is a key condition and driver for the delivery of council services. Information will be published in accordance with the policy on transparency, set out below:

- We will provide access to all appropriate information in order that it can be used to investigate and interrogate, usually but not exclusively, within a web based environment.
- We will keep to a minimum the amount of time and expenditure on collating and presenting this data. It will often be presented in a raw state with a relevant introduction as to its origins and purpose - to allow the user to understand where this data has come from, when it was posted and what it actually represents.
- If we haven't already provided the information that you require, we will provide this information upon request, unless there is an exemption under the Freedom Of Information Act or Environmental Information Regulations. The presumption will always be to disclose.
- For the avoidance of doubt all commercial information, including contracts, information around contracts and spending associated with bought in goods and services that is not currently in negotiation is to be transparent.
- We will continue to look at new ways to ascertain how information is used by residents and businesses and what information is considered to be of value by residents. This analysis will enable us to target specific information at residents and others whilst not excluding information that may have a minority interest.

We have a duty to be transparent in our business operations and outcomes. We recognises that the very act of transparency forces those employed at the council to question whether they are delivering value for money and are being effective in the provision of services to residents of the borough.

You are encouraged to use and re-use the information that is published by the Council freely and flexibly, with only a few conditions as set out in the Open Government License for public sector information. <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/>

Signed

Councillor Steve Jordan

Date xx/xx/xxxx

Leader, Cheltenham Borough Council

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Cheltenham Borough Council

Cabinet – 13 January 2015

Budget Monitoring Report 2014/15 – position as at November 2014

Accountable member	Councillor John Rawson, Cabinet Member for Finance
Accountable officer	Paul Jones, GOSS Head of Finance
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	<p>To update Members on the Council’s current financial position for 2014/15 based on the monitoring exercise at the end of November 2014. The report covers the Council’s revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2014/15 original budget and areas with volatile income trends.</p> <p>The net effect on the general fund of the variances identified in this report is that there may be an overspend against the budget of £178,250. However the reported financial position of Ubico in the first half year indicates that there will be a contribution payable to the council for 2014/15 of approximately £180,000. It is therefore expected that the overall position for the council will be within budget for 2014/15.</p>
Recommendations	<ol style="list-style-type: none"> 1. Cabinet note the contents of this report including the key projected variances to the 2014/15 budget and the expected delivery of services within budget. 2. Cabinet approve the budget virements to the 2014/15 budget, as detailed in Appendix 4. 3. Cabinet recommend that Council approve a one-off contribution from general balances of £178,250 as part of the budget setting process for 2015/16.

Financial implications	<p>As detailed throughout this report.</p> <p>Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 775154</p>
Legal implications	<p>None specific directly arising from the recommendations.</p> <p>Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695</p>

<p>HR implications (including learning and organisational development)</p>	<p>Service Managers and the HR Business Partners are continuing to monitor vacancies and recruitment. A request to recruit to a new or vacant post must be approved by the divisional Director, and all recruitment is based on a business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied. Capacity to deliver key projects is also being monitored, and regular updates are provided to the Senior Leadership Team.</p> <p>Contact officer: Julie McCarthy , julie.mccarthy @cheltenham.gov.uk, 01242 264355</p>
<p>Key risks</p>	<p>As outlined in Appendix 1.</p>
<p>Corporate and community plan Implications</p>	<p>Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.</p>
<p>Environmental and climate change implications</p>	<p>None.</p>

1. Background

- 1.1 This report provides the third monitoring position statement for the financial year 2014/15. The purpose of this report is to notify members of any known significant variations to budgets for 2014/15 and highlight any key issues, allowing Members to take action if required.
- 1.2 GO Shared Services carry out a regular budget monitoring exercise for services in liaison with Directors and cost centre managers. This identifies any major variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the original budget for 2014/15 agreed by Council on 14th February 2014, subject to any amendments made under delegated powers (for example supplementary estimates, virement, etc). Possible significant variations to revenue budgets are outlined in this report.

2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified at this stage in the financial year, projecting the position to the end of the financial year for all budget variances in excess of £50,000 and areas with volatile income trends, details of which are provided in paragraphs 2.2 to 3.1.

Significant budget variances	Overspend / (Underspend)£	para. ref:
Employee costs		
Central salary savings target	-	2.2
Built Environment		
Off Street car parking and fines– net shortfall of income	126,700	2.6
Cemetery & Crematorium – shortfall in income	233,900	2.8
Cemetery & Crematorium – Cameo Fees	48,000	2.9
Total Built Environment Directorate	408,600	
Leisure & Culture		
Leisure & Culture Services	30,700	2.10
Art Gallery & Museum	42,600	2.11
Total Leisure & Culture	73,300	
Commissioning		
Recycling Collection Schemes – shortfall in income	30,000	2.12
Trade Refuse - shortfall in income	66,000	2.13
Leasing Costs – Saving in expenditure	(297,300)	2.14
Total Commissioning Directorate	(201,300)	

Resources		
Area Office Recharge -saving	(52,900)	2.15
Business Rates Retention Scheme	248,000	2.16
Use of reserves	(248,000)	2.16
Treasury		
Interest – net surplus General Fund	(70,000)	3.1
Other – net overspends	20,550	Appendix 4
Contribution from general balances	(178,250)	9.1
Total projected under spend for year	-	

Savings from employee costs

- 2.2** The 2014/15 original budget includes a target of £350,000 from employee related savings to be made throughout the Council during the year. An assessment of vacant posts (i.e. staff turnover) and restructures in the first eight months of the year indicate that this target is likely to be over achieved for the financial year. Appendix 4 includes virement of £333,200 of net salary savings achieved to November 2014, to be offset against the central target.
- 2.3** The Local Government Services pay award for employees on NJC terms and conditions has been agreed for 2014 to 2016. The original budget for 2014/15 included an estimated 1% pay award for all employees. An initial assessment of the actual pay award indicates a saving against the 2014/15 salary budgets of £50,000. This will be reviewed and confirmed in the next budget monitoring report.
- 2.4** It is the intention that this target saving for 2015/16 is vired from the centrally held budget, to individual service budgets, in proportion to existing service salary budgets. This will be included in the 2015/16 budgets for approval and will improve accountability and budget monitoring within council services. .

Off-street Car Parking Income

- 2.5** The income position for off-street car parking to the end of November is falling short by around £164.2k, which equates to around 7% of target. However, a compensating surplus in fine income is also being generated, with income being around £44.5k up against target.
- 2.6** Since the Council's sale of North Place and Portland Street Car Parks, it has leased back North Place to continue car parking operations until development commenced. As previously reported, the Council has continued to receive an income from North Place during 2014/15. The previous budget monitoring report had assumed this would cease by the end of October but has actually continued until 8th December resulting in net additional income of £45.5k. Overall performance in the three months since last reported has also improved and it is now anticipated that car parking income will be £281,600 short of target, with fine income likely to be up by around £65.2k. The shortfall will be further offset by savings on NNDR and other miscellaneous

budgets totalling £105.2k leaving a forecasted net shortfall against income targets of around £126.7k for the year. Future budget monitoring reports will provide updated positions with an increasing degree of accuracy.

- 2.7** Paragraph 3.1 refers to £70k additional interest mainly generated as a result of the North Place and Portland Street Car Park capital receipt. This will be used to partly offset the projected year end shortfall on car parking income.

Cemetery & Crematorium

Income

- 2.8** As reported in August's budget monitoring report, there has continued to be a general downturn in income at the Cemetery & Crematorium in comparison with the same period in the previous financial year. However, initial forecasts have improved and the estimated shortfall in income has been somewhat mitigated by improved performance in the last 3 months.

Income to the end of November is down by £154.5k against budget; analysis has estimated this to be made up of a specific loss of income from essential maintenance of £43.5k and a general downturn in cremation and cemetery income of £111k. However, it continues to be anticipated that this will be offset somewhat by a drop in gas usage and this will be kept under review.

Should this trend continue until the end of the financial year, it is anticipated that outturn will be £233.9k (14%) short of target. This takes account of an estimated loss of further income from scheduled downtime for planned maintenance. This will be monitored closely and future budget monitoring reports will provide updated positions.

Cameo

- 2.9** In 2005 DEFRA introduced a requirement for the cremation industry to remove mercury from 50% of cremations. The national target, based on the available science, achieves a proportionate response for removing mercury from cremations, whilst not burdening the bereaved with excessive cost and the possibility of closing local crematoria. Along with the 50% target the principle of "burden sharing" was introduced, a process whereby Operators who could install abatement plant do so, and the cost is shared with those that could not install such abatement equipment. DEFRA recognised this as the most equitable way of achieving the target, whilst the cost or "burden" is shared by the entire sector. The mercury abatement equipment purchased from Crawford's was not operational during 2013 and is not anticipated to be operational during 2014. As a result the Council will be required to make a payment to the "burden sharing scheme" called CAMEO in line with the principles outlaid by DEFRA. This had not been budgeted for as it was anticipated that the abatement equipment would be operational and the Council would therefore be an operator, whose abatement costs could be shared under the scheme. The payment to CAMEO is likely to be around £48k for the calendar year 2014.

Leisure & Culture Services

- 2.10** The original 2014/15 budgets approved in February 2014 included a reduction in the overall cost of the Leisure and Culture services budgets of £181.7k, based on the creation of The Cheltenham Trust on 1st October 2014. As the business case and arrangements have developed throughout the year, this expected saving has been reduced by £30.7k to £151k, mainly as a result of additional staffing needed for the Trust. Approval is sought to increase the 2014/15 budget accordingly.

- 2.11** There is an overspend of £42.6k in decommissioning costs following the completion of the restructuring of the Art Gallery & Museum service prior to the creation of The Cheltenham Trust. These costs formed part of the business case to generate restructure savings in 2012/13 and 2013/14, prior to the reopening of the museum.

Commissioning

- 2.12 Recycling Collection Schemes**
Income levels are lower than anticipated due to the fluctuations in the price of recyclates – this is estimated at £30,000 for the year.

- 2.13 Trade Refuse**
Income levels are lower than estimated due to non take up of anticipated contracts when the budget was set, resulting in a potential income shortfall of £66k for 2014/15. There is an ongoing review of trade waste and how improvements can be made to increase take up by businesses and a report will be brought back to Cabinet.

- 2.14 Leasing Costs**
The historical decision to fund the replacement of vehicles and recycling bins through prudential borrowing has resulted in a one-off saving of £297.3k in leasing costs in 2014/15. This is due to the accounting entries surrounding the financing of assets from prudential borrowing in so much that they equate to the depreciation charge levied on that asset. The depreciation policy for CBC is that newly acquired assets are depreciated from the year following that in which they are acquired. Consequently the financing costs via Minimum Revenue Provision (MRP) are also deferred by one year which results in a one-off saving.

Resources

- 2.15 Area Office Recharge**
There is a saving of £52,900 in the reallocation of costs to the Housing Revenue Account in 2014/15 in respect of cash collection and customer services.

Business Rates Retention

- 2.16** The Final Outturn 2013/14 and Budget Monitoring Report to May 2014, reported to Cabinet and Council in July 2014, included details of the move to the local business rates retention scheme in April 2013. As reported, the move appears to be a positive one for this Council. The net positive variance for business rates in 2014/15 is currently estimated to be £248k, comprising the council's share of further estimated growth during 2014/15 and of the Collection Fund surplus achieved in 2013/14, less an adjustment to section 31 government grants as a result of the doubling of the small business rate relief. This amount may increase depending on the performance of the Gloucestershire Business Rates Pool, which should reduce the Levy payable to the government on any growth.
- 2.17** However, due to current government regulations governing when amounts can be credited to the General Fund, the £248,000 will impact on the General Fund as a reduction in income in 2014/15. This is because, although the General Fund cannot be credited with its share of the growth until at least the year after it is received, the government's share of the growth (the Levy) is charged to the General Fund in the year of receipt. In addition, the section 31 grants received from the government are adjusted for any growth in the year of receipt.
- 2.18** In view of these timing differences the council had budgeted to set up a reserve in 2014/15 of £350,000, and the estimated shortfall for this year can therefore be funded from this.

3. Treasury Management

- 3.1** As reported in the August budget monitoring report, there is a predicted surplus of interest of £70k to report on Treasury Management within the general fund for 2014/15. The surplus is down to lending interest being forecast to be around £70k better off compared to the original budget set due to holding higher cash balances on a daily basis. At the backend of the 2013/14 financial year the Council received some large capital receipts from the sale of land and also had monies returned from Icelandic banks via an auction. Interest rates on the money markets have also risen slightly over the year, which has also enabled better results than expected.
- 3.2** Due to the closure of several car parks in the centre of town due to the sale of the land, the surplus interest will partially offset the shortfall in car park income for this year, as reported in paragraph 2.7.

4. Capital expenditure

- 4.1** A detailed exercise has been carried out in November 2014 to ensure that capital schemes are being delivered as planned within the allocated capital budgets. The revised capital programme included in the Interim Budget proposals 2014/15 approved by Cabinet on 16th December 2014 is included as Appendix 5 to this report. Significant variances to the 2014/15 original capital budgets are detailed below.

Art Gallery & Museum Development

- 4.2** The Art Gallery & Museum extension was successfully completed and opened in October 2013. Since re-opening, some 209,170 people have visited the Wilson. In February 2014, the council approved an additional budget allocation to fund an identified overspend of £360k on the project. However, in recent weeks, additional expenditure has been identified and although the final outturn account has yet to be confirmed, the additional spend it is likely to be under £100k. The Council is currently working with GOSS, both its Internal and External Auditors to determine a final outturn figure and to identify the reason for the additional overspend. Once the outturn is finalised, Cabinet will need to recommend to Council, in February 2015, that additional budget is set aside to fund this expenditure.

5. Programme maintenance expenditure

- 5.1** All the work that has been planned for completion in 2014/15 remains as scheduled. However, a detailed exercise will be undertaken to ensure that the priorities in place remain appropriate. Any slippages in schemes or underspend against budget will be transferred to the Repairs & Renewals reserve at the year end, to fund future programme maintenance expenditure.

6. Housing Revenue Account (HRA)

- 6.1** The HRA revised forecast for 2014/15 and interim budget proposals for 2015/16 were reported to Cabinet on 16th December 2014. This report provides details of variances within the Housing Revenue Account budgets for 2014/15.

7. Council tax and Business rates collection

- 7.1** The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 2. This shows the position at the end of November 2014 and the projected outturn for 2014/15.

8. Sundry debt collection

8.1 The monitoring of the aged sundry debts and recovery is shown at Appendix 3.

9. Conclusion

9.1 The net effect on the general fund of the variances reported above is that there may be a net overspend against the budget of £178,250 for 2014/15. However, the reported financial performance of Ubico in the first half year indicates that there will be a contribution payable to the council for 2014/15 of approximately £180,000. It is therefore expected that the overall position for the council will be within budget for 2014/15.

It is proposed that a contribution of £178,250 be made from general balances, based on the position as at November 2014. It is recommended that Cabinet make this formal request for Council approval as part of the budget setting process for 2015/16 at its meeting on 13th February 2015. It is anticipated that the general reserve will be replenished at the financial year end, upon confirmation of the Ubico outturn for 2014/15.

9.2 The next detailed budget monitoring report in February 2015 may result in the identification of further projected net variances. It will be for Cabinet and Council to decide in June 2015, when outturn is finalised, how to apply any potential savings, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding possible future budget funding gaps.

9.3 The continued impact of the economic recession present particular concerns for the Council’s budgets. It is clearly important to ensure that budgets continue to be closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the Council delivers services within budget.

10. Consultation

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

Report author	Contact officer: Sarah Didcote Sarah.Didcote@cheltenham.gov.uk, 01242 264125
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Council Tax and NNDR collection 3. Aged Debt Report November 2014 4. Budget virements for approval – 2014/15 budget 5. Interim budget Capital Programme 2015/16
Background information	<ol style="list-style-type: none"> 1. Section 25 Report – Council 14th February 2014 2. Final Budget Proposals for 2014/15 – Council 14th February 2014

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.	If we are unable to take corrective action in respect of reduced income streams then there is a risk that Council will not be able to deliver its budget	Cabinet	June 2010	3	3	9	Reduce	In preparing the budget for 2014/15, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	December 2013	SLT	Corporate Risk Register
2.	If the requirement to fund projected overspend from General Balances result in General Balances falling below the minimum range of £1.5m to £2m set by the Chief Finance Officer then it would reduce the Councils reserves.	Cabinet	June 2010	3	3	9	Reduce	In preparing the budget for 2014/15, an exercise to realign earmarked reserves will be undertaken in order to strengthen the level of General Balances if required.	December 2013	Chief Finance Officer	Corporate Risk Register

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**Council Tax and Business Rates
Collection Rates 2014-2015**

Business Rates 2014/2015

Current Year Charges - 2014/2015			
Monitoring Period	% Collected at 30.11.2014	Target 30.11.2014	2014/2015 Target
	76.33%	77.30%	98.50%
Comparison with 2013/2014	% Collected at 30.11.2013		% Collected 31.03.2014
	80.70%		98.40%

The collection rate is slightly lower than the target. It is lower than at the same time last year due to a number of ratepayers now opting to pay over 12 months rather than 10. The position can fluctuate throughout the year and at this stage we are optimistic that we can achieve the year end target.

Previous Years Charges Outstanding in 2014/2015			
Monitoring Period	Amount outstanding at 30.11.2014	Target 30.11.2014	2014/2015 Target
	£1,022,704	£800,000	£480,000
Comparison with 2013/2014	Amount outstanding at 30.11.2013		Amount outstanding at 31.03.2014
	£704,533		£501,507

The arrears are higher than the target and also higher than at the same time last year. We are monitoring the position closely and working with any businesses having difficulty in paying.

Council Tax 2014/2015

Current Year Charges - 2014/2015			
Monitoring Period	% Collected at 30.11.2014	Target 30.11.2014	2014/2015 Target
	76.14%	76.20%	98.20%
Comparison with 2013/2014	As at 30.11.2013		% Collected 31.03.2014
	76.27%		98.10%

The collection rate for the end of November is slightly below the target. We continue to monitor collection levels closely and are optimistic that we can achieve the year end target.

Previous Years Charges Outstanding in 2014/2015			
Monitoring Period	Amount outstanding at 30.11.2014	Target 30.11.2014	2014/2015 Target
	£1,343,377	£1,300,000	£1,040,000
Comparison with 2013/2014	As at 30.11.2013		Amount o/s 31.03.14
	£1,263,367		£1,009,650

The arrears outstanding are slightly higher than the target. Again, we are monitoring the position closely and working with council tax payers having difficulty in paying.

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Schedule of Virements for Approval - 2014/15 budgets

Costc	Costc(T)	Account	VIREMENT		Virement approvals
			2014/15 budget	Reason	
ADB101	Cheltenham Municipal Offices	R1000	-17900	Reallocation of service salary underspend achieved at November 14	
ADB102	Custodians	R1000	-1800	Reallocation of service salary underspend achieved at November 14	
BUC004	Land Charges	R1000	-15000	Reallocation of service salary underspend achieved at November 14	
CPK001	Car Parks - Off Street Operations	R1000	-1900	Reallocation of service salary underspend achieved at November 14	
DEV001	Development Control - Applications	R1000	-7000	Reallocation of service salary underspend achieved at November 14	
ECD001	Economic Development	R1000	-2000	Reallocation of service salary underspend achieved at November 14	
HBA001	Housing Benefit Administration	R1000	-22300	Reallocation of service salary underspend achieved at November 14	
HOS004	Housing Standards	R1000	-7600	Reallocation of service salary underspend achieved at November 14	
LTC001	Council Tax Collection	R1000	-22700	Reallocation of service salary underspend achieved at November 14	
LTC011	NNDR Collection	R1000	-2500	Reallocation of service salary underspend achieved at November 14	
OPS004	Allotments	R1000	-4900	Reallocation of service salary underspend achieved at November 14	
PLP001	Planning Policy	R1000	-5500	Reallocation of service salary underspend achieved at November 14	Cabinet member approval
PLP004	Conservation	R1000	-2300	Reallocation of service salary underspend achieved at November 14	Section 151 officer consulted
PLP006	Trees	R1000	-2000	Reallocation of service salary underspend achieved at November 14	
PUT102	Shopmobility	R1000	-4100	Reallocation of service salary underspend achieved at November 14	
REG001	Environmental Health General	R1000	-69700	Reallocation of service salary underspend achieved at November 14	
SPP002	Community Alarms	R1000	-1300	Reallocation of service salary underspend achieved at November 14	
SUP007	Committee Services	R1000	-8700	Reallocation of service salary underspend achieved at November 14	
SUP008	Reception/Customer Services	R1000	-8000	Reallocation of service salary underspend achieved at November 14	
SUP014	Cashiers	R1000	-1400	Reallocation of service salary underspend achieved at November 14	
SUP017	Business Improvement/Transformation	R1000	-21800	Reallocation of service salary underspend achieved at November 14	
SUP018	Press & PR/Communications	R1000	-37300	Reallocation of service salary underspend achieved at November 14	
SUP025	Property Services	R1000	-44100	Reallocation of service salary underspend achieved at November 14	
SUP036	Project Management	R1000	-6300	Reallocation of service salary underspend achieved at November 14	
SUP039	Callouts	R1000	-3300	Reallocation of service salary underspend achieved at November 14	
SUP040	Built Environment	R1000	-11800	Reallocation of service salary underspend achieved at November 14	
COR001	Corporate management	R1099	333,200	Contribution towards central salary saving target 14/15 (report -paragraph 2.2)	
			<u>0</u>		
COR001	Central Salaries Target		370,000	Reduction in service charges income Revenue Contributions to Capital	Cabinet approval
COR001	Pension Autoen	RES002	<u>-370,000</u>	Reduction in funding to Capital reserve	
			<u>0</u>		
SUP034	Fleet Management		370,000	Reduction in service charges income Revenue Contributions to Capital	Cabinet approval
BAL104	Balances and Reserves	RES002	<u>-370,000</u>	Reduction in funding to Capital reserve	
			<u>0</u>		
various	Service cost centres		-274,400	Reduction in restructure costs funded by pensions reserve	Cabinet approval
BAL104	Balances and Reserves	RES002	<u>274,400</u>	Reduction in funding from Pensions reserve	
			<u>0</u>		
TGI018	Business Rates Retention		248,000	Reduction in business rates retention surplus received 2014/15	Cabinet approval
BAL104	Balances and Reserves	RES108	<u>-248,000</u>	Funding from Business Rates Retention reserve	
			<u>0</u>		
ADB101	Municipal Offices		14,000	Termination of HMRC rental of Municipal Office accomodation	
COR001	Corporate Management - Audit Fees		-4,700	One-off net reduction in Audit Commission audit fees	Director of Resources. Cabinet member informed
REC102	Prince of Wales		14,500	Prince of Wales lease consultancy costs 2014/15	

Schedule of Virements for Approval - 2014/15 budgets

Costc	Costc(T)	Account	VIREMENT 2014/15 budget	Reason	Virement approvals
CSM001	Tourism		5,000	CSM001 One off contribution to Tourism Interim Strategic Group 2014/15	
Various	NNDR Costs		-2,100	Saving in NNDR budgets 14/15	Director / Head of Service
WST001	Trade Waste		4,000	Cost of needles collection service	Section 151 informed
RYC006	Recycling Collections		6,300	Increased cost of processing wood creating net reduction in income	
CCT001	CCTV Expenditure		-7,200	Reduction in CCTV line rental costs	
RYC002	Garden Waste		4,000	Additional one off costs of garden waste system	
AIR101	Gloucestershire Airport		5,000	One off legal costs - Gloucestershire Airport review	
OPS001	Parks & Gardens		24,600	13/14 c/fwd request required - Commitments not included in 2013/14 year end accounts	Director of Environmental & Regulatory Services and Section 151. Cabinet member informed
TGI020	Government Grants		-8,148	Increase in council tax freeze grant 2014/15	
			-16,402	Community right to challenge and community right to bid grants 2014/15	
			-18,300	Additional New Homes Bonus 2014/15	
Net reported (underspend) / overspends reported in Table 2.1 Cabinet Monitoring report:-					
CUL107	Art Gallery & Museum		42,600	AG&M Restructure costs	
CSM001	Leisure & Culture Services		30,700	Reduction in Leisure & Culture savings target	
LTC001	Council Tax		-52,900	Reduction in Area Offices Charge from Cheltenham Borough Homes	
WST001	Waste Collection		66,000	Shortfall in Trade waste collection income	
RYC006	Recycling Collections		30,000	Shortfall in recycling income	
FIE030	Interest Receivable		-70,000	Net surplus interest receivable	
CCM001	Cemetery and Crematorium		233,900	Shortfall in cemetery & crematorium income	
CCM001	Cemetery and Crematorium		48,000	Cameo Fees	
CPK001	Off Street Car Parking		126,700	Net Shortfall in off street car parking income	
SUP034	Leasing Costs		-297,300	One-odd saving in leasing costs	
Net overspend forecast 2014/15			178,250		
Contribution from general balances			178,250		

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
	£	£	£		£	£	£	£	£	£
New cremators	655,000	628,638		188,300						
Acquisition of Shopfitters site				1,000,000						
Development of ERP system within the GO Partnership	421,700	441,973	14,700	14,700						
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						
Virtual e-mail appliance licence -setting up of e-mail connection between all GO Partner authorities.				22,000						
5 year ICT infrastructure strategy			241,100	403,800	275,600	77,400	62,800			
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						
Developer Contributions			50,000	72,000	50,000	50,000	50,000			
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			
Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.			600,000	610,200						
Replacement of Town Hall chairs on a like for like basis				80,000						
Replacement of Pool Hall lighting to LEDs at Leisure@				30,000						
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			
Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.				65,800						
Public Art - Promenade				22,000						
Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use.				100,000						
Scheme for St.Mary's churchyard				49,500	50,000	50,000	50,000			
Public Art - St Mary's churchyard				20,000						
GCC Pedestrian Wayfinding				131,200						
Public Art - Hatherley				10,000						

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
	£	£	£	£	£	£	£	£	£	£
High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	561,700			244,400	317,300					
Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration.				129,000						
Additional CCTV in order to improve shopping areas and reduce fear of crime			50,000	149,800						
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						
New car park machines to allow additional functionality to be introduced for the benefit of customers				250,000						
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			
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			
A new form of assistance available under the council's Housing Renewal Policy 2003-06										
A new form of assistance available under the council's Housing Renewal Policy 2003-06				287,900						
Grants provided under the Housing Grants, Construction and Regeneration Act 1996										
A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems				90,000						
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						
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						
Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes				1,400,000						
Replacement vehicles and recycling equipment				61,800						
CBC & Ubico vehicle & plant replacement programme				628,000	806,000	905,000	143,000	834,000	729,000	95,000
Re-jointing works required to improve safety and appearance of the core commercial area	60,000	52,171		7,500						
			4,236,800	9,558,000	2,254,900	1,838,400	1,061,800	834,000	729,000	95,000

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
	£	£	£		£	£	£	£	£	£
			319,697	319,697	306,000	306,000	306,000			
				90,000						
				131,200						
				287,900						
		100,000		100,000	50,000	50,000	50,000			
				162,700						
		50,000		146,100	50,000	50,000	50,000	0	0	0
				86,100						
		730,000		1,730,000	130,000	130,000	130,000			
				215,300						
		2,300,000		4,508,300	806,000	905,000	143,000	834,000	729,000	95,000
		737,103		1,780,703	912,900	397,400	382,800	0	0	0
			4,236,800	9,558,000	2,254,900	1,838,400	1,061,800	834,000	729,000	95,000

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**Cheltenham Borough Council
Cabinet – 13 January 2015**

Ubico Expansion of Partnership - Approval of business cases

Accountable member	Steve Jordan, Leader of the council
Accountable officer	Mark Sheldon, Director Resources
Ward(s) affected	None
Key Decision	No
Executive summary	<p>In April 2012 Cotswold District Council (CDC) and Cheltenham Borough Council (CBC) created a local authority 'Teckal' company to deliver services to both councils.</p> <p>The subsequent cost efficiencies and service improvements delivered by the company have attracted significant interest at local and national level.</p> <p>A number of local authorities have been particularly interested in the success of Ubico and the structure and governance arrangements of the company. Locally this includes Tewkesbury Borough council (TBC), Stroud District Council, Forest of Dean District Council and West Oxfordshire District Council.</p> <p>In October 2012 a detailed business case was prepared for the inclusion of TBC as a shareholder in Ubico Ltd. The business case presented a robust financial and strategic case for TBC to join the partnership. TBC have since developed their own business case for joining Ubico and that, along with the revised governance arrangements for an extended partnership, was approved by TBC Council on 30th September 2014.</p> <p>This report seeks formal approval to extend the Ubico partnership to other partners based on the attached business case.</p>
Recommendations	<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Approves the business case for Tewkesbury Borough Council, West Oxfordshire District Council, Forest of Dean District Council and Stroud District Council as appended to this report. 2. Agrees to issue a £1 share in Ubico Ltd to each of the above mentioned councils on the date each council enters into a contract with Ubico Ltd for the delivery of services to their council, such date not to be before 31 March 2015.

<p>Financial implications</p>	<p>Ubico is currently delivering £261,700 annually to the council.</p> <p>The financial implications of extending the partnership are detailed in each business case at appended (exempt) to this report and summarised in section 2.</p> <p>Contact officer: Mark Sheldon, Mark.sheldon@cheltenham.gov.uk 01242 264123</p>
<p>Legal implications</p>	<p>The current Shareholder Agreement includes a reserved matter which requires the consent of the shareholders to permit the registration of any additional shareholder.</p> <p>In September 2014 both Cotswold District Council and this authority, as the current shareholders, agreed to amend the existing Articles of Association and Shareholder Agreement to permit the issue of additional shares to new partners who met the following terms:</p> <p>Payment to the shareholders as a contribution towards set up costs including professional time spent on setting up the company and associated risks taken by them.</p> <p>Upon receipt of at least 6 months prior written notice (unless otherwise agreed by the Shareholders) to the shareholders and Ubico, a share will be issued if:</p> <ul style="list-style-type: none"> • A convincing Business Case setting out the benefits to the shareholders is submitted to and approved by the shareholders; • There is no detrimental or negative impact to any shareholder as a consequence of the new joiner becoming a shareholder (to be evidence based); and • The New Joiner enters into a contract for services with Ubico upon the issue of a share in the company. <p>This report sets out the business cases for each new partner council in accordance with the above mentioned terms and seeks the permission of the authority to issue a £1 share when the relevant contract for services has been entered into between Ubico Ltd and the new partner council.</p> <p>Contact officer: Shirin wotherspoon, Shirin Wotherspoon @tewkesbury.gov.uk, 01684 272017</p>
<p>HR implications (including learning and organisational development)</p>	<p>The business case assumes a further sharing of Ubico overheads over a wider partner base but also provides opportunities to share knowledge and experience and build service / organisation resilience.</p> <p>As the Ubico business expands, the Ubico MD in consultation with GOSS HR will be responsible for assessing and determining what additional HR support may be required to support the business.</p> <p>Contact officer: Julie McCarthy , Julie.mccarthy @cheltenham.gov.uk, 01242 264355</p>

Key risks	See Appendix 1
Corporate and community plan Implications	The recommendations support further joint working arrangements which aim to increase household recycling, reduce landfill and deliver savings to support the MTFS funding gap.
Environmental and climate change implications	None specifically arising from this report.
Property/Asset Implications	<p>TBC currently occupy part of the Swindon road depot site. The proposal provides the opportunity to rationalise space leading to operational efficiencies, in addition enable longer term lease arrangements for the site, sharing the cost of the depot across a wider number of partner councils. The depot is almost at capacity and the provision of facilities in other Districts will be vital if the benefits and savings of an enlarged Ubico are to be delivered.</p> <p>Contact officer: David Roberts@cheltenham.gov.uk, David.roberts@cheltenham.gov.uk 01242 264151</p>

1. Background

- 1.1** In 2010 the Gloucestershire Waste Partnership and the Gloucestershire Joint Improvement Board agreed a joint vision “By working together the Gloucestershire authorities will deliver more efficient waste services”. A report commissioned from Eunomia Consulting estimates savings of £1.7 m – £3.2m per annum from the joint delivery of waste services in a county wide context drawing on evidence of the success of other joint working arrangements (e.g. Somerset, Dorset etc).
- 1.2** The business case for joint working anticipated savings arising from rationalising depots, joint service management and delivery, increased purchasing power, fleet efficiencies and increased productivity through serving a larger geographical area. The report went on to say that where authorities work towards savings in isolation opportunities will be missed and a wider, more efficient, partnership may be harder to achieve in the long term.
- 1.3** A key factor in creating Ubico as an arm’s length local authority company was to facilitate a fully inclusive partnership through the aggregation of collection contracts and environmental services which would maximise efficiency savings.
- 1.4** The creation of Ubico by CBC and CDC was the first but important step in delivering this joint vision. The initial idea was to expand Ubico to take on more partners in order to ensure that further efficiencies could be delivered.

2. Business case for expansion

- 2.1** In October 2012 a detailed business case was prepared for the inclusion of TBC as a shareholder in Ubico Ltd. The business case presented a robust financial and strategic case for TBC to join the partnership. TBC have since developed their own business case for joining Ubico and that, along with the revised governance arrangements for an extended partnership, was approved by TBC full council on 30th September 2014.
- 2.2** The business cases appended (exempt) to the report detail the further benefit of increasing the number of partner councils.
- 2.3** In summary, the financial benefits are outlined below

		2015/16	2016/17	2017/18	2018/19	2019/20	Total
		£s	£s	£s	£s	£s	£s
Recovery of set up costs	TBC WODC FODDC)) 68,000)	0	0	0	0	68,000
	SDC	0	22,667	0	0	0	22,667
Operational savings		40,825	40,825	40,825	40,825	40,825	204,125
Overhead savings	TBC WODC FODDC)) 60,000)	60,000	60,000	60,000	60,000	300,000
	SDC	0	29,000	29,000	29,000	29,000	116,000
Total in Year		168,825	152,492	129,825	129,825	129,825	
Cumulative over 5 year period							710,792

NB: Savings for Stroud DC are with effect from 2016/17

- 2.4 Annual savings will increase to £129,825 once all partners are on board and the council will recover £90,667 of its share of Ubico set up costs.
- 2.5 The inclusion of further partners, including specifically TBC in the partnership, will also benefit existing shareholders as it will generate increased business for shared service support partnerships (GOSS, Audit Cotswold, One Legal and Shared ICT).

3. Reasons for recommendations

- 3.1 Expanding the partnership to include TBC and other councils will support the delivery of the partnership vision.

4. Alternative options considered

- 4.1 The potential for the partnership to remain as originally created was considered but this would not generate the additional benefits of joint working.

5. Consultation and feedback

- 5.1 Ubico Board have been consulted and have approved the expansion of the partnership at a meeting on 10th December 2014.

6. Performance management – monitoring and review

- 6.1 Ubico performance will be monitored via the Ubico Board of Directors, Overview and Scrutiny committee and the Joint Waste committee.

Report author	Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123
Appendices	<ul style="list-style-type: none"> 1. Risk Assessment A Business case – Tewkesbury BC B Business case – West Oxford DC C Business case – Forest of Dean DC D Business case – Stroud DC
Background information	None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Cabinet do not support the proposal to expand Ubico then the partnership may not deliver the savings target in the budget strategy and the wider aspiration for future savings.	Pat Pratley	22/12/14	3	3	9	Reduce	Cabinet to support the recommendation	31/3/15	Mark Sheldon	
	If the Cabinet do not support the proposal then the partnership may not deliver the wider vision for increased recycling / reduced landfill.	Pat Pratley	22/12/14	3	3	9	Reduce	Cabinet to support the recommendation	31/3/16	Scott Williams	
Explanatory notes											
<p>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)</p> <p>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)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											

**STRATEGIC, OPERATIONAL AND FINANCIAL
BUSINESS CASE**

**FOR THE APPROVAL OF TEWKESBURY BOROUGH COUNCIL
AS A SHAREHOLDER OF UBICO LTD**

1. INTRODUCTION

- 1.1 The launch of Ubico Ltd in 2012 and the subsequent cost efficiencies and service improvements delivered by the company have attracted significant interest at local and national level.
- 1.2 One authority that has consistently shown interest in joining the partnership is Tewkesbury Borough Council (TBC). For various reasons it has not been possible in the past to agree the conditions for TBC joining the partnership but changing circumstances now make this possible.
- 1.3 This business case provides the strategic, operational and financial benefits of TBC joining the partnership. The services in scope are waste and recycling collections, organic collections, bulky waste collections, street cleaning and grounds maintenance. The estimated contract value is £3,494,000 per annum with an anticipated start date of 1st April 2015.

2. BACKGROUND

- 2.1 Increasing financial pressures have accelerated the growth of shared service partnerships between local authorities. There are now many examples of successful shared service partnerships throughout England employing a variety of service delivery models.
- 2.2 The use of 'Teckal' companies as a preferred service delivery option has gained in popularity. A number of local authorities have been particularly interested in the success of Ubico and the structure and governance arrangements of the company. Locally this includes TBC, Stroud District Council, Forest of Dean District Council and West Oxfordshire District Council. Further afield, interest in the Ubico model has been shown by Cardiff City Council, East Cheshire, South Hams and West Devon.
- 2.3 In 2011, when CDC and CBC resolved to create a local authority 'Teckal' company, TBC decided to undertake a comprehensive options appraisal before committing to any particular service delivery model. Having completed the options appraisal TBC concluded that the Ubico partnership was in fact the most advantageous option. At that time, however, the company was already committed to a challenging work programme and did not have the necessary capacity to respond.
- 2.4 In October 2012 a detailed business case was prepared for the inclusion of TBC as a shareholder in Ubico Ltd. The business case presented a robust financial and strategic case for TBC to join the partnership but agreement could not be reached on governance arrangements for a 3 authority partnership.
- 2.5 Changing circumstances have since resulted in the existing shareholders developing robust, effective and pragmatic governance arrangements for a multi authority partnership. Detailed consultation with a number of local authorities, including TBC, resulted in an 'in principle' agreement and a revised list of reserved matters for shareholders. The revised arrangements were approved by existing shareholders in September 2014 and this has provided another opportunity to consider a business case for TBC (and others) to join the partnership.
- 2.6 TBC have developed their own business case for joining Ubico and that, along with the revised governance arrangements for an extended partnership, was approved by TBC full council on 30th September 2014.

3. STRATEGIC CONTEXT

- 3.1 The Gloucestershire Joint Municipal Waste Management Strategy 2007 - 2020 has been approved by all Gloucestershire local authorities. The strategy emphasises the potential efficiencies and economies of scale to be realised through joint working arrangements and commits signatories to explore opportunities to deliver efficiency savings through the aggregation of collection services whilst recognising that in the medium term there will be different systems in use by different authorities.
- 3.2 In 2010 the Gloucestershire Waste Partnership and the Gloucestershire Joint Improvement Board agreed a joint vision – “By working together the Gloucestershire authorities will deliver more efficient waste services. This will be achieved whilst respecting the local needs and autonomy of each partner”. Both bodies jointly commissioned Eunomia Consulting to update a previous business case for joint working in waste and street cleaning which had estimated savings of £1.7 m per annum from the joint delivery of waste services in a county wide context.
- 3.3 The updated business case estimated annual savings of £1.7 million to £3.2 million per annum to be shared between partners. The business case drew on evidence of the success of other joint working arrangements (e.g. Somerset, Dorset etc) and was signed off by finance officers at all relevant authorities.
- 3.4 The business case anticipated savings arising from rationalising depots, joint service management and delivery, increased purchasing power, fleet efficiencies and increased productivity through serving a larger geographical area. The report highlighted that some savings are potentially achievable through changed working arrangements by individual districts but the full savings are only achievable through a larger partnership. It went on to say that where authorities work towards savings in isolation opportunities will be missed and a wider, more efficient, partnership may be harder to achieve in the long term. A key factor in creating Ubico as an arms length local authority company was to facilitate a fully inclusive partnership through the aggregation of collection contracts and environmental services which would maximise efficiency savings. This is not limited to the administrative boundary of Gloucestershire.
- 3.5 TBC have resolved to join the Gloucestershire Joint Waste Committee in April 2015 and in doing so have demonstrated a commitment to partnership working in waste and environmental services. They are also participating in other shared service arrangements (One Legal, Building Control) which demonstrates their willingness to work in partnership for mutual benefit.
- 3.6 Ubico’s core market strategy, as approved in our 2014/15 business plan, is to deliver a low cost base, exploiting all sources of cost advantage and driving down costs at every opportunity. A key element of driving down costs is growth of the business to benefit from economies of scale and one way of achieving this is increasing the number of shareholder authorities. The inclusion of additional shareholders will spread overhead costs over a wider base and facilitate operational efficiencies.
- 3.7 Ubico’s corporate overhead is currently 6.5% of turnover and external consultants have indicated that this is in line with competitive private sector bids for local authority contracts. It is a strategic objective of the company to reduce corporate overhead to 5 –6% of turnover in the medium term and the inclusion of additional shareholders will deliver this.

- 3.8 The inclusion of TBC in the partnership will also benefit existing shareholders as it will generate increased business for shared service support partnerships (GOSS, Audit Cotswold, One Legal and Shared ICT).
- 3.9 TBC also has geographical strategic importance to the partnership. It provides a land bridge between existing shareholders and the Forest of Dean, a partner in the 2020 vision programme. TBC also shares borders with existing shareholders as well as Stroud District Council and Gloucester City Council. It is therefore an excellent geographical fit in our plans for growth.

4. OPERATIONAL BENEFITS

- 4.1 TBC operations are already based at the Cheltenham Swindon Road Depot. Having TBC in the partnership will facilitate a reorganisation and rationalisation of depot space, improving safety, security and efficiency. Co-location of office space with the Cheltenham team will also facilitate increased sharing of resources, management and administration. Both teams know each other well and work well together, combining a useful mix of skills and experience. A key advantage to Ubico will be the experience and knowledge gained in managing co-mingled recycling collections.
- 4.2 A further operational benefit to be gained in the longer term is the opportunity to merge fleet maintenance operations in one single workshop. Currently TBC's vehicle contract hire supplier operates a separate vehicle maintenance facility within the depot and this is inherently inefficient.
- 4.3 Emergency response will also be improved. By combining resources from all contracts the company will be better able to support local authority emergency response operations and support communities at times of great need.

5. FINANCIAL BENEFITS

- 5.1 TBC anticipate savings of £364,000 over 5 years from becoming a shareholder in Ubico. This is based on a contract value of £3,494,000 and is net of set up costs which they estimate as £86,000.
- 5.2 The benefits to existing shareholders will be delivered in three ways; the recovery of set up costs, reduced overheads and the delivery of operational efficiencies. The recovery of set up costs was approved and set by the Board of Directors and Shareholders in August 2014 and has been included in this business case at a rate of 100%.
- 5.3 The inclusion of additional shareholders in the business will result in an overall increase in corporate overhead costs but these costs will be spread over a greater number of partners. The distribution of overhead is proportionate to turnover and therefore the overhead savings and cost allocation will differ between partners depending on individual contract values. It is estimated that the inclusion of TBC will result in an increase of £150,000 per annum on corporate overhead (including increased support service costs) and that TBC's contribution will be £208,810. This delivers a saving of £58,810 for the existing shareholders which is split proportionate to turnover. This provides CBC with an annual saving of £34,434 and CDC with a saving of £24,376.

- 5.4 Operational savings can be delivered by sharing waste collection and street cleaning resources. It must be noted, however, that operational costs are ringfenced for each partner and therefore operational savings are not evenly shared. In the case of TBC the operational efficiencies benefit CBC but not CDC. It is estimated that the rationalisation and sharing of food waste collection resources will save CBC £25,900 per annum and the shared use of a mechanical road sweeper will save a further £14,925 per annum.
- 5.5 The combined and cumulative financial benefit from these efficiencies over a five year period plus the one off payment for each existing shareholder is shown in the table below.

Cost saving schedule - Cheltenham Borough Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	22,667	0	0	0	0	22,667
Overhead savings	34,434	34,434	34,434	34,434	34,434	172,170
Operational savings	40,825	40,825	40,825	40,825	40,825	204,125
Total in year	97,926	75259	75259	75259	75259	
Cumulative savings over five years						398,962
Cost saving schedule - Cotswold District Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	22,667	0	0	0	0	22,667
Overhead savings	24,376	24,376	24,376	24,376	24,376	121,880
Operational savings	0	0	0	0	0	0
Total in year	47,043	24376	24376	24376	24376	
Cumulative savings over five years						144,547

6. RISKS

Risk Description	Actions
The inclusion of additional shareholders dilutes the control of founder shareholders.	The company governance arrangements have been revised to reflect a fair and equitable partnership. The loss of control is compensated by financial benefit.
Ubico does not have the capacity to deliver this project simultaneously with other key projects in the work programme.	Critical areas will be strengthened in both the short and long term i.e. project management, fleet management and systems development.
The estimated operational savings are not delivered.	Operational savings have been planned with Operations Managers at CBC and TBC and are realistic.
The estimated overhead savings are not delivered.	The estimates have been prepared on the basis of a 3 authority partnership and are conservative if others join.
The necessary lease and licensing arrangements will not be in place in time	This work has commenced in advance of any formal decision but can be aborted if

for transfer.	necessary.
Employer percentage contributions to the LGPS will significantly increase.	This is a TBC risk. They have been fully briefed and have included estimated increases in their cost calculations.
Different pay rates will prompt 'grade creep'.	This will be robustly managed. Discussions have already started with the recognised trades unions to review and agree an affordable and competitive package of pay and conditions throughout the company.

**STRATEGIC, OPERATIONAL AND FINANCIAL
BUSINESS CASE**

**FOR THE APPROVAL OF WEST OXFORDSHIRE DISTRICT COUNCIL
AS A SHAREHOLDER OF UBICO LTD**

1. INTRODUCTION

- 1.1 The launch of Ubico Ltd in 2012 and the subsequent cost efficiencies and service improvements delivered by the company have attracted significant interest at local and national level.
- 1.2 One authority that has recently expressed interest in joining the partnership is West Oxfordshire Council (WODC). WODC's interest arises not only from the potential that Ubico offers but also from their shared management arrangement with CDC and their participation in the 2020 Vision programme.
- 1.3 This business case provides the strategic, operational and financial benefits of WODC joining the Ubico partnership. It is supported by a business case for depot service options prepared for the 2020 Vision Programme Board and WODC by Eunomia Research and Consulting Ltd and highlights the potential for greater benefit if and when waste and recycling services are transferred to Ubico.
- 1.4 The depot services in scope are street cleaning, grounds maintenance, commercial waste collection, bulky waste collection and building cleaning. The estimated contract value is £1,600,000 per annum with an anticipated start date of 1st April 2015.

2. BACKGROUND

- 2.1 Increasing financial pressures have accelerated the growth of shared service partnerships between local authorities. There are now many examples of successful shared service partnerships throughout England employing a variety of service delivery models.
- 2.2 The use of 'Teckal' companies as a preferred service delivery option has gained in popularity. A number of local authorities have been particularly interested in the success of Ubico and the structure and governance arrangements of the company. Locally this includes WODC, Stroud District Council, Forest of Dean District Council and Tewkesbury Borough Council. Further afield, interest in the Ubico model has been shown by Cardiff City Council, East Cheshire, South Hams and West Devon.
- 2.3 Changing circumstances have resulted in the existing shareholders of Ubico developing robust, effective and pragmatic governance arrangements for a multi authority partnership. Detailed consultation with a number of local authorities, including WODC, resulted in an 'in principle' agreement and a revised list of reserved matters for shareholders. The revised arrangements were approved by existing shareholders in September 2014 and this has provided an opportunity to consider a business case for WODC (and others) to join the partnership.
- 2.4 WODC will be asked to formally approve the business case and agree the revised governance on 10 December 2014..

3. STRATEGIC CONTEXT

- 3.1 It is widely accepted that by working together local authorities can deliver more efficient services. The growing popularity and success of shared service arrangements is evidence of this.
- 3.2 A business case developed for the Gloucestershire Waste Partnership, which drew on evidence from other joint working arrangements (e.g. Somerset, Dorset etc)

estimated significant annual savings from shared waste collection services. The business case anticipated savings arising from rationalising depots, joint service management and delivery, increased purchasing power, fleet efficiencies and increased productivity through serving a larger geographical area. That particular business case was restricted to Gloucestershire but the principles it contained can be applied to a wider partnership and to a wider range of environmental services.

- 3.3 The report also highlighted that some savings are potentially achievable through changed working arrangements by individual districts but large scale savings are only achievable through a larger partnership. It went on to say that where authorities work towards savings in isolation opportunities will be missed and a wider, more efficient, partnership may be harder to achieve in the long term. A key factor in creating Ubico as an arms length local authority company was to facilitate a fully inclusive partnership through the aggregation of collection contracts and environmental services which would maximise efficiency savings.
- 3.4 WODC have a shared management arrangement with CDC, are founder partners in the GOSS partnership and are partners in the 2020 Vision programme. They are committed to partnership working and have a good track record of joint working for mutual benefit. They should therefore be viewed as reliable and trustworthy partners.
- 3.5 Ubico's core market strategy, as approved in our 2014/15 business plan, is to deliver a low cost base, exploiting all sources of cost advantage and driving down costs at every opportunity. A key element of driving down costs is growth of the business to benefit from economies of scale and one way of achieving this is increasing the number of shareholder authorities. The inclusion of additional shareholders will spread costs over a wider base and facilitate operational efficiencies.
- 3.6 Ubico's corporate overhead is currently 6.5% of turnover and external consultants have indicated that this is in line with competitive private sector bids for local authority contracts. It is a strategic objective of the company to reduce corporate overhead to 5 - 6% of turnover in the medium term and the inclusion of additional shareholders will deliver this.
- 3.7 The inclusion of WODC in the partnership will also benefit existing shareholders via increased business for shared service support partnerships (One Legal and Shared ICT).
- 3.8 WODC also has strategic geographical importance to the partnership. It has a long western border with CDC and has a depot in the north of the District which may be useful in delivering joint operations to the north of both CDC and WODC, thereby improving productivity, reducing fuel costs and providing employment opportunities in that area. WODC also provides a foothold in Oxfordshire. Neighbouring authorities such as Cherwell and Vale of White Horse may in future wish to consider joining the Ubico partnership. It is therefore, an excellent geographical fit in our plans for growth.

4 OPERATIONAL BENEFITS

- 4.1 WODC operations are based at Witney in a small but functional depot. WODC have an established, experienced and knowledgeable team in place and this will facilitate a smooth transfer of services. A key advantage to Ubico will be the extensive knowledge held by the team about the WODC waste and recycling service and this will be of great value to Ubico when preparing resource and budget estimates for the potential transfer of these services in 2017. The team also have a good knowledge

of grounds maintenance and horticultural operations and this will be of great benefit to Ubico moving forward.

- 4.2 The lengthy joint border between WODC and CDC provides immediate opportunities for shared resources, particularly in street cleaning and grounds maintenance. There is already a degree of joint working between the two operational teams and they have a good working relationship. This can be expanded and enhanced. Further operational efficiencies can be achieved if the waste and recycling service is later transferred to Ubico and these will be in excess of the short term benefits.
- 4.3 Emergency response will also be improved. By combining resources from all contracts the company will be better able to support local authority emergency response operations and support communities at times of great need.

5. FINANCIAL BENEFITS

- 5.1 WODC anticipate savings of £61,586 per annum if they become a shareholder in Ubico. This is based on a gross expenditure budget of £1,600,000 and is net of set up costs which may be funded by the 2020 Vision Programme budget.
- 5.2 The benefits to CBC and CDC will be delivered in three ways; the recovery of set up costs, reduced overheads and operational efficiencies. The recovery of set up costs was approved and set by the Board of Directors and Shareholders in August 2014 and has been included in this business case at a rate of 100%.
- 5.3 The inclusion of additional shareholders in the business will result in an overall increase in corporate overhead costs but these costs will be spread over a greater number of partners. The distribution of overhead is proportionate to turnover and therefore the overhead savings and cost allocation will differ between partners depending on individual budget contributions. It is estimated that the inclusion of WODCC will result in an increase of £80,000 per annum on corporate overhead (subject to clarification of support service costs as they are already funding support from GOSS and Audit Cotswolds)) and that WODC's contribution will be £101,000. This delivers a saving of £21,000 for the existing shareholders which is split proportionate to turnover. This provides CBC with an annual saving of £12,300 and CDC with a saving of £8,700.
- 5.4 Operational savings can be delivered by sharing waste collection and street cleaning resources. It must be noted, however, that operational costs are ringfenced for each partner and therefore, savings are not evenly shared. In the case of WODC the operational efficiencies benefit CDC but not CBC. It is estimated that the sharing of street cleaning resources will save CDC £21,000 per annum and shared grounds maintenance resources will save a further £10,500 per annum.
- 5.5 The combined and cumulative financial benefit from these efficiencies over a five year period plus the one off payment for each existing shareholder is shown in the table on the next page.

Cost saving schedule - Cheltenham Borough Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	22,667	0	0	0	0	22,667
Overhead savings	12,300	12,300	12,300	12,300	12,300	61,500
Operational savings	0	0	0	0	0	0
Total in year	34,967	12,300	12,300	12,300	12,300	
Cumulative savings over five years						84,167
Cost saving schedule - Cotswold District Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	22,667	0	0	0	0	22,667
Overhead savings	8,700	8,700	8,700	8,700	8,700	43,500
Operational savings	31,500	31,500	31,500	31,500	31,500	157,500
Total in year	62,867	40,200	40,200	40,200	40,200	
Cumulative savings over five years						223,667

6. RISKS

Risk Description	Actions
The inclusion of additional shareholders dilutes the control of founder shareholders.	The company governance arrangements have been revised to reflect a fair and equitable partnership. The loss of control is compensated by financial benefit.
The estimated operational savings are not delivered.	Operational savings have been planned in conjunction with Operations Managers at CDC and WODC and are realistic.
The estimated overhead savings are not delivered.	The estimates have been prepared on the basis of a 3 authority partnership and are conservative if others join.
The necessary lease and licensing arrangements will not be in place in time for transfer.	This work has commenced in advance of any formal decision but can be aborted if necessary.
Ubico does not have the capacity to deliver this project simultaneously with other key projects in our work programme.	Critical areas will be strengthened in both the short and long term i.e. project management, fleet management and systems development.
Employer percentage contributions to the LGPS will significantly increase.	This is a WODC risk. They are aware and the relatively small numbers transferring reduces the overall risk.
Different pay rates will prompt 'grade creep'.	This will be robustly managed. Discussions have already started with the recognised trades unions to review an affordable and competitive package of pay and conditions throughout the company.

**STRATEGIC, OPERATIONAL AND FINANCIAL
BUSINESS CASE**

**FOR THE APPROVAL OF FOREST OF DEAN DISTRICT COUNCIL
AS A SHAREHOLDER OF UBICO LTD**

1. INTRODUCTION

- 1.1 The launch of Ubico Ltd in 2012 and the subsequent cost efficiencies and service improvements delivered by the company have attracted significant interest at local and national level.
- 1.2 One authority that has consistently shown interest in joining the partnership is Forest of Dean District Council (FOD). Their long term contract with a private sector provider for waste, recycling and street cleaning services has delayed their involvement to date but there is a strong strategic case for FOD to join the partnership in the short term.
- 1.3 This business case provides the strategic and financial benefits of FOD joining the partnership. It is supported by a business case for depot service options prepared for the 2020 Vision Programme Board and FOD by Eunomia Research and Consulting Ltd and highlights the potential for greater benefit if and when waste, recycling and street cleaning services are transferred to Ubico.
- 1.4 The depot services in scope are grounds maintenance, car park maintenance, winter gritting, office cleaning and cemetery maintenance. The estimated contract value is £346,000 per annum with an anticipated start date of 1st April 2015.

2. BACKGROUND

- 2.1 Increasing financial pressures have accelerated the growth of shared service partnerships between local authorities. There are now many examples of successful shared service partnerships throughout England employing a variety of service delivery models.
- 2.2 The use of 'Teckal' companies as a preferred service delivery option has gained in popularity. A number of local authorities have been particularly interested in the success of Ubico and the structure and governance arrangements of the company. Locally this includes FOD, Stroud District Council, Tewkesbury Borough Council and West Oxfordshire District Council. Further afield, interest in the Ubico model has been shown by Cardiff City Council, East Cheshire, South Hams and West Devon. FOD expressed an early interest in the Ubico model but they are committed to a contractual arrangement with Biffa Ltd for waste, recycling and street cleaning services until 2018. This has limited opportunities to facilitate their inclusion in the Ubico partnership.
- 2.3 Changing circumstances have resulted in the existing shareholders developing robust, effective and pragmatic governance arrangements for a multi authority partnership. Detailed consultation with a number of local authorities, including FOD, resulted in an 'in principle' agreement and a revised list of reserved matters for shareholders. The revised arrangements were approved by existing shareholders in September 2014 and this has provided another opportunity to consider a business case for FOD (and others) to join the partnership.
- 2.4 FOD will be asked to formally approve the business case and revised governance on 11 December 2014.

3. STRATEGIC CONTEXT

- 3.1 The Gloucestershire Joint Municipal Waste Management Strategy 2007 - 2020 has been approved by all Gloucestershire local authorities. The strategy emphasises the potential efficiencies and economies of scale to be realised through joint working arrangements and commits signatories to explore opportunities to deliver efficiency savings through the aggregation of collection services whilst recognising that in the medium term there will be different systems in use by different authorities.
- 3.2 In 2010 the Gloucestershire Waste Partnership and the Gloucestershire Joint Improvement Board agreed a joint vision – “By working together the Gloucestershire authorities will deliver more efficient waste services. This will be achieved whilst respecting the local needs and autonomy of each partner”. Both bodies jointly commissioned Eunomia Consulting to update a previous business case for joint working in waste and street cleaning which had estimated savings of £1.7 m per annum for the joint delivery of waste services in a county wide context.
- 3.3 The updated business case estimated annual savings of £1.7 million to £3.2 million per annum to be shared between partners. The business case drew on evidence of the success of other joint working arrangements (e.g. Somerset, Dorset etc) and was signed off by finance officers.
- 3.4 The business case anticipated savings arising from rationalising depots, joint service management and delivery, increased purchasing power, fleet efficiencies and increased productivity through serving a larger geographical area. The report highlighted that some savings are potentially achievable through changed working arrangements by individual districts but the full savings are only achievable through a larger partnership. It went on to say that where authorities work towards savings in isolation opportunities will be missed and a wider, more efficient, partnership may be harder to achieve in the long term. A key factor in creating Ubico as an arms length local authority company was to facilitate a fully inclusive partnership through the aggregation of collection contracts and environmental services which would maximise efficiency savings. This is not limited to the administrative boundary of Gloucestershire.
- 3.5 FOD have committed to the Gloucestershire Waste Partnership and are founder members of the Gloucestershire Joint Waste Committee and in doing so have demonstrated a commitment to partnership working in waste and environmental services. They are also founder members of the GOSS partnership and participate in other shared service arrangements (Shared ICT) which demonstrates their willingness to work in partnership for mutual benefit. They should therefore be viewed as reliable and trustworthy partners.
- 3.6 Ubico’s core market strategy, as approved in our 2014/15 business plan, is to deliver a low cost base, exploiting all sources of cost advantage and driving down costs at every opportunity. A key part of driving down costs is growth of the business to benefit from economies of scale and one way of achieving this is increasing the number of shareholder authorities. The inclusion of additional shareholders will spread costs over a wider base and facilitate operational efficiencies.
- 3.7 Ubico’s corporate overhead is currently 6.5% of turnover and external consultants have indicated that this is in line with competitive private sector bids for local authority contracts. It is a strategic objective of the company to reduce corporate

overhead to 5–6% of turnover in the medium term and the inclusion of additional shareholders will deliver this.

- 3.8 The inclusion of FOD in the partnership will also benefit existing shareholders via the increased business for shared service support partnerships (One Legal).
- 3.9 FOD also has geographical strategic importance to the partnership. It has a long eastern border with Tewkesbury Borough Council providing opportunities to deliver joint operations to both authorities thereby improving productivity and reducing fuel costs. Having a presence in the area also opens up opportunities to seek external sources of income.

4. OPERATIONAL BENEFITS

- 4.1 Operational benefits are limited in the short term due to the relatively small size of the operation but having a base in the District will enable Ubico to bid for external contracts (e.g. work for parish councils, schools grounds maintenance). It also provides Ubico with grounds maintenance coverage of most of Gloucestershire and opens up opportunities for joint working with the County Council's highway maintenance partner, Amey plc.
- 4.2 Further operational benefit will be gained in the longer term with the opportunity to transfer waste and recycling collections and street cleaning to Ubico.
- 4.3 Emergency response will also be improved. By combining resources from all contracts the company will be better able to support local authority emergency response operations and support communities at times of great need.

5. FINANCIAL BENEFITS

- 5.1 FOD anticipate savings of £11,282 per annum if they become a shareholder in Ubico. This is based on a gross expenditure budget of £346,000 and is net of set up costs which may be funded by the 2020 Vision Programme budget.
- 5.2 The benefits to CBC and CDC will be delivered in two ways; the recovery of set up costs and reduced overheads. Operational efficiencies will only be gained in the medium to long term and are difficult to predict at this stage. Eunomia are forecasting savings to FOD of £150,000 per annum (compared to the next lowest cost option of outsourcing) if waste, recycling and street cleaning are transferred to Ubico and the combined value of the expanded contract would strongly suggest that Ubico could drive out further efficiencies for all shareholders.
- 5.3 The recovery of set up costs was approved and set by the Board of Directors and Shareholders in August 2014 and has been included in this business case at a rate of 100%.
- 5.4 The inclusion of additional shareholders in the business will result in an overall increase in corporate overhead costs but these costs will be spread over a greater number of partners. The distribution of overhead is proportionate to turnover and therefore the overhead savings and cost allocation will differ between partners depending on individual budget contributions. It is estimated that the inclusion of FOD will result in an increase of £17,300 per annum on corporate overhead (subject to clarification of support service costs as they are already funding support from GOSS and Audit Cotswolds) and that FOD's contribution will be £22,300. This

delivers a saving of £5,000 for the existing shareholders which is split proportionate to turnover. This provides CBC with an annual saving of £2,900 and CDC with a saving of £2,100.

5.5 The combined and cumulative financial benefit from these efficiencies over a five year period plus the one off payment for each existing shareholder is shown in the table below.

Cost saving schedule - Cheltenham Borough Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	22,667	0	0	0	0	22,667
Overhead savings	2,900	2,900	2,900	2,900	2,900	14,500
Operational savings	0	0	0	0	0	0
Total in year	25,567	2,900	2,900	2,900	2,900	
Cumulative savings over five years						37,167
Cost saving schedule - Cotswold District Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	22,667	0	0	0	0	22,667
Overhead savings	2,100	2,100	2,100	2,100	2,100	10,500
Operational savings	0	0	0	0	0	0
Total in year	24,767	2,100	2,100	2,100	2,100	
Cumulative savings over five years						33,167

6. RISKS

Risk Description	Actions
The inclusion of additional shareholders dilutes the control of founder shareholders.	The company governance arrangements have been revised to reflect a fair and equitable partnership. The loss of control is compensated by financial benefit.
Ubico does not have the capacity to deliver this project simultaneously with other key projects in the work programme.	Critical areas will be strengthened in both the short and long term i.e. project management, fleet management and systems development.
The estimated overhead savings are not delivered.	The estimates have been prepared on the basis of a 3 authority partnership and are conservative if others join.
Employer percentage contributions to the LGPS will significantly increase.	This is a FOD risk. They will be fully briefed and any estimated increases factored into cost calculations. The risk is manageable due to the relatively small number of employees involved (6-8).
Different pay rates will prompt 'grade creep'.	This will be robustly managed. Discussions have already started with the recognised trades unions to review and agree an affordable and competitive package of pay and conditions throughout the company.

**STRATEGIC, OPERATIONAL AND FINANCIAL
BUSINESS CASE**

**FOR THE APPROVAL OF STROUD DISTRICT COUNCIL
AS A SHAREHOLDER OF UBICO LTD**

1. INTRODUCTION

- 1.1 The launch of Ubico Ltd in 2012 and the subsequent cost efficiencies and service improvements delivered by the company have attracted significant interest at local and national level.
- 1.2 One authority that has recently shown interest in joining the partnership is Stroud District Council (SDC). SDC are committed to a multi services contract with an external provider until 2016. Whilst this has delivered a degree of stability over a number of years the contractual arrangement has stifled creativity and restricted opportunities to deliver service improvement. SDC are keen to improve their recycling performance and see the Ubico model as a flexible and cost effective way of achieving this.
- 1.3 This business case provides the strategic, operational and financial benefits of SDC joining the partnership. The services in scope are waste and recycling collections, organic collections, bulky waste collections, street cleaning, grounds maintenance and building cleaning. The estimated contract value is £3,416,000 per annum with an anticipated start date of July 2016.

2. BACKGROUND

- 2.1 Increasing financial pressures have accelerated the growth of shared service partnerships between local authorities. There are now many examples of successful shared service partnerships throughout England employing a variety of service delivery models.
- 2.2 The use of 'Teckal' companies as a preferred service delivery option has gained in popularity. A number of local authorities have been particularly interested in the success of Ubico and the structure and governance arrangements of the company. Locally this includes SDC, Tewkesbury Borough, Forest of Dean District Council and West Oxfordshire District Council. Further afield, interest in the Ubico model has been shown by Cardiff City Council, East Cheshire, South Hams and West Devon.
- 2.3 Changing circumstances have resulted in the existing shareholders considering effective and pragmatic governance arrangements for a multi authority partnership. Detailed consultation with a number of local authorities, including SDC, resulted in a revised in principle agreement and list of reserved matters for shareholders. The revised arrangements were approved by existing shareholders in September 2014 and this has provided an opportunity to consider a business case for SDC (and others) to join the partnership.
- 2.4 SDC have developed their own business case for Ubico and that, along with the revised governance arrangements for an extended partnership, was approved by SDC full council on 6th November 2014.

3. STRATEGIC CONTEXT

- 3.1 The Gloucestershire Joint Municipal Waste Management Strategy 2007 - 2020 has been approved by all Gloucestershire local authorities. The strategy emphasises the potential efficiencies and economies of scale to be realised through joint working arrangements and commits signatories to explore opportunities to deliver efficiency

savings through the aggregation of collection services whilst recognising that in the medium term there will be different systems in use by different authorities.

- 3.2 In 2010 the Gloucestershire Waste Partnership and the Gloucestershire Joint Improvement Board agreed a joint vision – “By working together the Gloucestershire authorities will deliver more efficient waste services. This will be achieved whilst respecting the local needs and autonomy of each partner”. Both bodies jointly commissioned Eunomia Consulting to update a previous business case for joint working in waste and street cleaning which had estimated savings of £1.7 m per annum for the joint delivery of waste services in a county wide context.
- 3.3 The updated business case estimated annual savings of £1.7 million to £3.2 million per annum to be shared between partners. The business case drew on evidence of the success of other joint working arrangements (e.g. Somerset, Dorset etc) and was signed off by finance officers.
- 3.4 The business case anticipated savings arising from rationalising depots, joint service management and delivery, increased purchasing power, fleet efficiencies and increased productivity through serving a larger geographical area. The report highlighted that some savings are potentially achievable through changed working arrangements by individual districts but the full savings are only achievable through a larger partnership. It went on to say that where authorities work towards savings in isolation opportunities will be missed and a wider, more efficient, partnership may be harder to achieve in the long term. A key factor in creating Ubico as an arms length local authority company was to facilitate a fully inclusive partnership through the aggregation of collection contracts across the county which would maximise efficiency savings.
- 3.5 SDC are active members of the Gloucestershire Waste Partnership but have not yet resolved to join the Gloucestershire Joint Waste Committee. Successful participation in the Ubico partnership may prompt SDC to increase participation in other shared service arrangements.
- 3.6 Ubico’s core market strategy, as approved in our 2014/15 business plan, is to deliver a low cost base, exploiting all sources of cost advantage and driving down costs at every opportunity. A key factor in driving down costs is growth of the business to benefit from economies of scale and one way of achieving this is increasing the number of shareholder authorities. The inclusion of additional shareholders will spread costs over a wider base and facilitate operational efficiencies.
- 3.7 Ubico’s corporate overhead is currently 6.5% of turnover and external consultants have indicated that this is in line with competitive private sector bids for local authority contracts. It is a strategic objective of the company to reduce corporate overhead to 5 –6% of turnover in the medium term and the inclusion of additional shareholders will deliver this.
- 3.8 The inclusion of SDC in the partnership will also benefit existing shareholders as it will generate increased business for shared service support partnerships (GOSS, Audit Cotswold, One Legal and Shared ICT).
- 3.9 SDC also has geographical strategic importance to the partnership. It shares borders with Cotswold District Council (CDC) as well as Tewkesbury Borough Council and Gloucester City Council. It is therefore an excellent geographical fit in our plans for growth.

4. DEVELOPING THE BUSINESS CASE AND BUDGET ESTIMATES

- 4.1 The resource plans and budget estimates that support the business case have been carefully developed over a number of months. Three different methodologies were used to estimate resources and budgets for the high value services (i.e. all waste related services). Firstly, an external consultant was commissioned to prepare resource estimates and a benchmark service cost. Secondly, the Ubico business development team prepared resource estimates using the WM Design route optimisation software. Thirdly, the Operations Manager at Cotswold prepared resource estimates using performance data from our Cotswold Operations and his knowledge and experience of mixed rural/urban collection services. Pleasingly, the results of all three methodologies were very similar and therefore we can have a high degree of confidence about the resource estimates used to develop the contract budget.
- 4.2 The budget was developed using Ubico pay rates and conditions of service. These are in excess of the pay and conditions that staff will initially transfer with and therefore provide a financial cushion in the first few years of operation. Furthermore, fleet asset charges were budgeted at full replacement value and it is unlikely that we will be utilising a completely new fleet from the first day of operation. There is therefore a reasonable safety margin built into the estimated budgets.
- 4.3 Despite this safety margin, SDC's own external consultants advised that the Ubico indicative budget was likely to be £300,000 less than a private sector bid for the same contract. This reflects the not for profit nature of Ubico. Forecast profit margins of private sector bids range between 8% and 10% (8% of private sector contract value= £297,000).
- 4.4 A key factor in resource planning and cost estimates is the location of a depot. SDC do not have immediate access to a depot and are actively seeking to buy or lease a suitable site. Our estimates were based on a suitable depot being available close to Junction 13 of the M5 and will have to be adjusted if the eventual site is in a significantly different area. The lack of a depot site is a risk for both SDC and Ubico and we are working closely with officers of SDC to identify suitable sites and develop contingency plans.

5. OPERATIONAL BENEFITS

- 5.1 SDC are planning significant service change in 2016 when their current contractual arrangement terminates. The priority services to undergo change are waste, recycling and organic collections but there will be changes to other services. The main changes however are the introduction of wheeled bins and alternate weekly collections for residual waste, the weekly collection of food waste and introduction of charges for garden waste and bulky waste collections. This is a major project and until all changes are implemented and tested it would be prudent to forecast operational efficiency savings for existing shareholders at a conservative level.
- 5.2 Operational savings can be delivered via efficiencies in bin deliveries and from cross border waste collections in rural areas, particularly from hard to access locations. It is estimated that sharing resources on these services will save £20,000 per annum with the benefit falling exclusively to CDC.

- 5.3 Having SDC in the partnership will also facilitate cross boundary efficiencies, particularly where new housing developments are being built (e.g. Coopers Edge, which covers Stroud, Tewksbury and Gloucester City). A key advantage to Ubico will be the experience and knowledge gained in managing two stream co-mingled recycling collections. The data provided will greatly assist in decision making for future recycling system options appraisal.
- 5.4 Emergency response will also be improved. By combining resources from all contracts the company will be better able to support local authority emergency response operations and support communities at times of great need.

6. FINANCIAL BENEFITS

- 6.1 SDC anticipate a budget increase of £192,000 if they become a shareholder in Ubico. This reflects the changes to waste, recycling and organic collections which will drive up their recycling rates and divert waste from landfill. They are including this growth in their MTFs.
- 6.2 The benefits to CBC and CDC will be delivered in three ways; the recovery of set up costs, reduced overheads and operational efficiencies. The recovery of set up costs was approved and set by the Board of Directors and Shareholders in August 2014 and has been included in this business case at a rate of 100%.
- 6.3 The inclusion of additional shareholders in the business will result in an overall increase in corporate overhead costs but these costs will be spread over a greater number of partners. The distribution of overhead is proportionate to turnover and therefore the overhead savings and cost allocation will differ between partners depending on individual budget contributions. It is estimated that the inclusion of SDC will result in an increase of £150,000 per annum on corporate overhead (including increased support service costs) and that SDC's contribution will be £204,500. This delivers a saving of £54,400 for the existing shareholders which is split proportionate to turnover. This provides CBC with an annual saving of £31,900 and CDC with a saving of £22,500.
- 6.4 Operational savings can be delivered by sharing bin delivery and rural waste collection resources. It must be noted, however, that operational costs are ringfenced for each partner and therefore, savings are not evenly shared. In the case of SDC the operational efficiencies benefit CDC but not CBC. It is estimated that the sharing of bin delivery and rural waste collection resources will save £20,000 per annum.
- 6.5 The combined and cumulative financial benefit from these efficiencies over a five year period, plus the one off payment for each existing shareholder, is shown in the table below.

Cost saving schedule - Cheltenham Borough Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	0	22,667	0	0	0	22,667
Overhead savings	0	31,900	31,900	31,900	31,900	127,600
Operational savings	0	0	0	0	0	0
Total in year	0	54,567	31,900	31,900	31,900	
Cumulative savings over five years						150,267
Cost saving schedule - Cotswold District Council						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£s	£s	£s	£s	£s	
Recovery of set up costs	0	22,667	0	0	0	22,667
Overhead savings	0	22,500	22,500	22,500	22,500	90,000
Operational savings	0	20,000	20,000	20,000	20,000	80,000
Total in year	0	65,167	42,500	42,500	42,500	
Cumulative savings over five years						192,667

6. RISKS

Risk Description	Actions
The inclusion of additional shareholders dilutes the control of founder shareholders.	The company governance arrangements have been revised to reflect a fair and equitable partnership. The loss of control is compensated by financial benefit.
Ubico does not have the capacity to deliver this project simultaneously with other key projects in the work programme.	Critical areas will be strengthened in both the short and long term i.e. project management, fleet management and systems development.
The estimated operational savings are not delivered.	Operational savings have been planned with the Ubico Operations Manager at Cotswolds and officers at SDC and are realistic.
The estimated overhead savings are not delivered.	The estimates have been prepared on the basis of a 3 authority partnership and are conservative if others join.
A local depot is not available to Ubico at the contract start date.	SDC has commenced a depot procurement project and are working with Ubico to develop short term contingency plans.
The resource estimates and budget estimates are incorrect.	The resource estimates for high value services have been independently calculated using 3 different approaches. There is therefore a high degree of confidence that they are correct. Labour and fleet budgets have been inflated in the first 1 – 2 years of the contract to provide a cushion.
Different pay rates will prompt 'grade creep'.	This will be robustly managed. Discussions have already started with the recognised trades unions to review and agree an affordable and competitive package of pay and conditions throughout the company.