



CHELtenham

BOROUGH COUNCIL

Notice of a meeting of Cabinet

**Tuesday, 8 December 2015
6.00 pm**

Municipal Offices, Promenade, Cheltenham, GL50 9SA

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 MEETING Minutes of the meeting held on 10 November 2015	(Pages 3 - 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.	HOUSING REVENUE ACCOUNT NEW BUILD - SWINDON ROAD SITE Report of the Cabinet Member Housing	(Pages 15 - 56)

6.		TREASURY MID-TERM REPORT 2015/16 Report of the Cabinet Member Finance	(Pages 57 - 68)
		SECTION 6 : BRIEFING SESSION	
		• Leader and Cabinet Members	
7.		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	

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Cabinet

Tuesday, 10th November, 2015

6.00 - 7.00 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)
Also in attendance:	Councillor Tim Harman, Councillor Roger Whyborn and Councillor Max Wilkinson

Minutes

1. APOLOGIES

None.

2. DECLARATIONS OF INTEREST

All Members of Cabinet declared a non prejudicial interest in Agenda item 7- Cakebridge Place proposal as Councillor Paul Baker was Chairman of Cheltenham Town Football Club.

3. MINUTES OF THE LAST MEETING

The minutes of the last meeting were approved and signed as a correct record.

4. PUBLIC AND MEMBER QUESTIONS AND PETITIONS

Question from Peter Sayers of 48 Clarence St, Cheltenham:

'I am concerned that only one risk is identified in Appendix ONE of the report. However, on Page TWO, under the heading 'Legal Implications' three clear and significant risks are identified. They have no place in 'Legal Implications'. Why were these not placed into the appropriate risk section and could this oversight be now amended and the items correctly placed into Appendix ONE, and then discussed and evaluated as risks, not implications?'

Response from Councillor Peter Jeffries, Cabinet Member for Housing:

The first paragraph in the report legal implications is simply a statement of the council's powers of acquisition and the legal implications of holding housing stock. It is not a risk.

The second paragraph is in support of the proposals to look for properties now, rather than waiting until later. It isn't a risk at this stage because the report has been prepared in ample time to allow the proposal to be carried to its successful conclusion; it is an explanation (for those unfamiliar with the conveyancing process) of the need to be progressing this proposal now rather than later.

The third paragraph does not reference a risk because again there is adequate time. It is a comment that not all properties are necessarily appropriate, and a

reminder to those dealing with the process to check out any title restrictions before spending time and resources going too far down the conveyancing process. The process for obtaining title information is quick and straightforward. In conclusion, the information contained in the report legal implications does not need to be set out as formal risks in appendix one to the report. Nevertheless, the fact that it is contained in the legal implications does not lessen its value to the report.

5. RAILWAY SCRUTINY TASK GROUP

Councillor Whyborn was invited to address Cabinet as Chair of the Scrutiny Task Group (STG). He explained that the group had focussed on the London services which had known problems and issues. He also explained that Cabinet was being asked to be mindful of other relevant issues which had been raised in the report including the north/south route and Worcester services. Of significant concern was the increasing number of services which the station was handling and whilst welcomed in terms of the benefits this brought to economic growth, the ability to terminate additional trains in Cheltenham due to their being only one single siding was questioned.

The Chair of the STG made the following further points in terms of explaining each of the task group recommendations :

- as part of its remit the STG was due to look at the London service franchise but in April 2015 First Great Western (FGW) had been awarded an extension of 3.5 years by the Department for Transport (DfT) so this was no longer necessary.
- following the publication by Network Rail of the Western Route Study in late 2014 it was subsequently announced that there would be an hourly service to Paddington from Cheltenham in 2017/18. He reminded Members that the STG had devised a motion which was considered and passed by Council in December 2014 and submitted as a response to the Western Route study consultation.
- CBC had limited influence on rail services, but as part of a combined authority following devolution it would be in more of a position to help shape transport services. Franchising of integrated transport, as in connecting bus services was however not currently in the bid.
- Members' attention was drawn to the priorities laid down in Phase 1 of the proposals as highlighted in the report in terms of providing full equality access, car parking and forecourt improvements.
- Proactive lobbying to integrate improvements in 1A and 1B

The Leader thanked the Scrutiny Task Group for its report and welcomed the work undertaken. As many issues had been addressed in the report he proposed that Cabinet would note it at this stage and come back in due course with a more detailed response. In response to the point on devolution he explained that it was at its very early stages and whilst it was not currently in the

bid there would be other opportunities to discuss it. The Leader highlighted the importance of proceeding with the work on Phase 1 and then thanked the group for gaining a better understanding of the franchising processes.

RESOLVED THAT

The scrutiny report be noted and a detailed report be brought back to Cabinet for consideration in due course.

6. CYCLING AND WALKING SCRUTINY TASK GROUP

The Chair of the Scrutiny Task Group Cycling and Walking, Councillor Max Wilkinson introduced the report of the group. He thanked all those who had participated and in particular Jon Mallows of Cheltenham and Tewkesbury Cycling Campaign (C & TCC), Bronwen Thornton of Walk21 and John Newbury of Living Streets.

The Chair of the STG explained that when the report was discussed at the recent Overview and Scrutiny Committee the following reservations had been expressed :

1. Cycle Helmets : The STG report had outlined the argument for 'no helmets' which was a view that was held strongly by cycling groups, in an effort to normalise cycling and make it a more attractive proposition to a broader range of people. The task group were not suggesting that cyclists should be advised not to wear helmets but rather that any promotional images should feature cyclists without helmets rather than presenting a stereotypical image of cyclists wearing helmets and hi-vis clothing. Members of Overview and Scrutiny were apprehensive about cyclists being encouraged not to wear a helmet although the Chair of the STG had reminded members that the group was not encouraging cyclists not to wear a helmet, the issue was restricted to presentation of cycling in promotional materials rather than advice.
2. The STG report outlined how evidence suggested that lower speed limits reduced congestion and it was a fact that the impact of a collision at 20mph was far reduced than a collision at 30mph. The recommendation of the task group was that an assessment of the appetite for a 20mph limit across the town should be sought from residents and advice from Officers had been that it was far easier to apply for a Traffic Regulation Order for a default 20mph limit and then exclude main routes from it, rather than to apply for a number of smaller areas. This recommendation was a concern for members of Overview and Scrutiny in terms of the cost associated with the TRO however the committee had acknowledged that there were areas in Cheltenham that would welcome and benefit from a 20mph speed limit.
3. All members of the task group agreed that it was not ideal for cyclists and pedestrians to share footpaths but opinion was split about whether cyclists should be permitted on the Promenade and High Street in Cheltenham. Members of Overview and Scrutiny were uneasy that cycling should be permitted on the Promenade and High Street. These two areas were the main thoroughfare for shoppers and increased footfall was an ambition which seemed in conflict with allowing cycling throughout.

The Chair of the STG said that in terms of walking in the borough guard rails could be removed to encourage the free movement of pedestrians and there had been no evidence that these had health and safety benefits.

In summing up the Chair of the STG felt that the recommendations could potentially improve air quality within the borough and reduce congestion. He referred to the Cheltenham and Tewkesbury Cycle Campaign wishlist of improvements and the Bristol shopping list. Having a wish list of improvements would put the council in a better position in terms of seeking funding and achieving what it aimed to achieve.

The Cabinet Member Development and Safety thanked the group for its report which he believed to be very useful. He would take away the recommendations and discuss with officers on developing a practical list for the council to take forward. This would also involve discussions with partners. He undertook to bring back a report to Cabinet in due course.

RESOLVED THAT

The scrutiny report be noted and a detailed report be brought back to Cabinet for consideration in due course.

7. CAKEBRIDGE PLACE PROPOSAL

The Cabinet Member Housing introduced the report and explained that the council now owned all 12 properties on the site of Cakebridge Place which were all beyond economic refurbishment. He also reported that initial flooding concerns led to an approach to the football club regarding a land swap to allow residential development off Whaddon Road. The Cabinet Member said that the two options available to the council had been examined by the Asset Management Working Group the previous week which supported the Whaddon Road development option.

The Head of Property and Asset Management was then invited to address Cabinet. He explained that the land swap with the football club would provide the football club with improved commercial opportunities. He also said that this opportunity for offsite provision also supported a more holistic view of the Council's property assets in the immediate locality and would potentially enhance CBC's longer term value of the football club site.

The Cabinet Member Housing said the council was in an enviable position by seeking additional much needed affordable housing on HRA land and at the same time enhancing the value of the site.

The Cabinet Member Finance referred to the detailed discussion held by members of the Asset Management Working Group which supported unanimously the sound advice for the long term to maximise the value of the asset by progressing with the Whaddon Road option. The group also recognised the more immediate benefits of providing modern new homes and alleviating football match traffic for local residents.

Members of Cabinet welcomed the prospect of high quality new affordable home for local benefit and the protection of an important asset as well as improving facilities and enhancing commercial opportunities for the football club. It provided an important message that the council was committed to developing housing for rent and social purposes which was a key part of the council's function.

RESOLVED THAT

- 1. the "Whaddon Road " option set out in paragraph 1.7.2 of the report be adopted and that appropriate steps be taken to clear and redevelop both the Cakebridge Place and the Whaddon Road sites to reflect the proposed development, and making an application to the appropriate authority to stop up Cakebridge Place in whole or part**
- 2. the Head of Property and Asset Management (in consultation with the section 151 Officer and the Borough Solicitor) be authorised to proceed with negotiations with Cheltenham Town Football Club to enable the land shown in Plan B to return to the Council's possession and for the land shown in Plan A to be included within the area leased to the Club substantially upon the terms (including expiry) of the existing lease and such other terms as the Head of Property and Asset Management deems necessary or advisable to protect the Council's interests**
- 3. the Borough Solicitor be authorised to conclude such documents as she deems appropriate to reflect the terms negotiated under paragraph 2 of this Resolution, whether by surrender of part and lease of substitute land, or surrender of the whole and grant of a new lease of the varied area**
- 4. at the relevant time, the land returned to the Council's possession under resolution 2 above be appropriated to Housing (HRA) land**
- 5. that the Right to Buy receipts be used as far as possible to fund the project**

8. USE OF RIGHT TO BUY RECEIPTS

The Cabinet Member Housing introduced the report as circulated with the agenda. He explained that the council's preferred approach to increasing the provision of new affordable housing in Cheltenham was to build affordable homes on council owned brownfield sites. He said however that building new homes in this way could however be complex and time consuming and it was therefore prudent for the council to consider other ways of using its Right to Buy Receipts including acquiring new homes from the open market. He emphasised that Right to Buy Receipts had to be spent within strict deadlines and if these were not met the receipts must be repaid to the government with interest.

The Leader welcomed the proposal and said this was a good way to ensure that repayments of receipts to the government could be avoided.

RESOLVED THAT

- 1. the Head of Property and Asset Management (in consultation with the section 151 Officer), be authorised to purchase dwellings that are considered to be suitable for use as affordable housing (in accordance with the parameters as set out within Section 4.5 of this report), subject to a total cap on the consideration paid for the entire portfolio of £1 million .**
- 2. the Borough Solicitor be authorised to negotiate and complete such documents as she deems necessary or desirable to conclude the transactions negotiated by the Head of Property and Asset Management under Resolution 1 above**
- 3. the section 151 Officer be authorised to use the Right to Buy receipts where necessary to fund the acquisition of the properties purchased under Resolution 1 above**

9. GROWING PLACES-ALLOTMENT STRATEGY 2015

The Cabinet Member Clean and Green Environment introduced the report and explained that the Allotment Strategy 2015 was an updated strategy document that explored the demand and supply issues for allotments in Cheltenham and proposed actions in key areas of allotment management, infrastructure, protection and provision, promotion and health and safety, with a view to ensuring the effective provision and management of allotments now and in the future.

The Cabinet Member Clean and Green Environment felt that allotments provided a significant public service to residents across the town as well as representing great value. He highlighted the benefits in terms of produce, friendship and sense of community and exercise and it was estimated that between 6000 and 10 000 residents benefited as a direct result of allotments. He reiterated the council's commitment to allotments and believed it had a robust and ambitious plan for the future with the action plan setting out proposed activities for five key areas: allotment management; infrastructure, protection, provision and health & safety. The Cabinet Member also highlighted that there were increasing plot numbers on existing sites and officers were interacting with developers in terms of provision on new developments. Restricting rent increases to inflation was key. He wished to put on record his thanks to the allotment officer for her hard work

Members supported the strategy and the action plan; allotments did have an extended benefit and were invaluable to whole families.

The Leader recognised the invaluable work on allotments and noted that rationalisation of allotment space had meant that the allotment waiting list had been reduced.

RESOLVED THAT

the Allotment Strategy and the action plan be approved.

10. BUDGET MONITORING REPORT 2015/16 - POSITION AS AT SEPTEMBER 2015

The Cabinet Member Finance introduced the report which updated Members on the Council's current financial position for 2015/16 based on the monitoring exercise at the end of September 2015. The report covered the Council's revenue, capital and treasury management position. The report identified any known significant variations (minimum £50 000) to the 2015/16 original budget and areas with volatile income trends.

The Cabinet Member Finance reported that the total projected under spend for the year amounted to £66 600. He believed this showed strength in budget management and this was a good outcome for the council. In terms of variances he reported that recycling income had reduced due to the drop in the price of crude oil and the slowdown in the Chinese economy. Some costs had been offset by cost efficiencies made by Ubico. The Cabinet Member reported that car parking income was in a healthy income position. A more detailed monitoring would take place over the next few weeks in the run up to the budget next year.

The Cabinet Member Finance was grateful to all officers across the authority who had contributed to the budget position but in particular wished to thank the Finance Team for their dedicated and skilful leadership in budget management.

RESOLVED THAT

the contents of this report including the key projected variances to the 2015/16 budget and the expected delivery of services within budget be noted.

11. PROPOSAL TO UPDATE AND ADOPT ANIMAL LICENCING CONDITIONS

The Cabinet Member Development and Safety introduced the report as circulated with the agenda. He explained that under the Council's Constitution Cabinet could approve the adoption of animal licensing conditions to raise animal welfare standards for licenced animal premises including pet vending, animal boarding establishments and dog breeding.

He reported that an eight week consultation on five new sets of standard licence conditions was undertaken between 14 August and 9 October 2015. These new licence conditions were extracted from model conditions published by the Chartered Institute of Environmental Health and Local Authority Co-ordinators of Regulatory Services. Requests for alterations from consultees and the reporting officer had been highlighted in the report with the recommendations for adoption. He explained that adoption of the proposed conditions would bring the authority up to date with the Animal Welfare Act 2006.

The Cabinet Member reported that within the consultation feedback a conflict in

the appropriate wording of two sections of the Dog Home Boarding conditions (conditions 5.5.7 and 5.83) had arisen. Cabinet were asked to decide which wording to adopt. He explained that the two alternative wordings suggested for 5.5.7 were outlined at 2.19 and 2.20 of the report. Of these two alternatives he recommended to Cabinet that the following wording was adopted :

“Precautions must be taken to prevent the spread of fleas, ticks, intestinal parasites and other parasites in both boarded and resident dogs. Proof must be maintained of all routine and emergency treatment for parasites”.

The two alternative wordings suggested for condition 5.83 were outlined at 2.30 and 2.31 of the report. Of the two alternatives he recommended to Cabinet that the following wording was adopted :

“No current licenced home boarders have children under 7 in their household”.

In summing up the Cabinet Member said it was important that the Council maintained the highest standards of animal welfare within the borough and the adoption of these up to date conditions would contribute to ensuring that this happened. Once approved it was proposed that the newly adopted conditions were included in an overarching animal welfare policy with the objective of simplifying the council's policies for the general public.

RESOLVED THAT

- 1. the conditions set out in ‘Model conditions for Pet Vending Licencing 2013’ published by the Chartered Institute of Environmental Health, September 2013 (see Appendix 4 for original and Appendix 7 for proposed) be adopted as the Authority’s licensing conditions in respect of pet vendors and shops selling companion animals as amended by the requested proposed conditions.**
- 2. the conditions set out in ‘CIEH Model Licence Conditions and Guidance for Dog Breeding Establishments’ published by the Chartered Institute of Environmental Health, January 2014 (see Appendix 4 for original and Appendix 8 for proposed), be adopted as the Authority’s licensing conditions in respect of dog breeders who require a licence as amended by the requested proposed conditions.**
- 3. the conditions set out in ‘CIEH Model Licence Conditions and Guidance for Cat Boarding Establishments 2013’ published by the Chartered Institute of Environmental Health, November 2013 (see Appendix 4 for original and Appendix 9 for proposed) be adopted as the Authority’s licensing conditions in respect of cat boarding establishments as amended by the requested proposed conditions.**
- 4. the conditions set out in ‘CIEH Model Licence Conditions and Guidance for Dog Boarding Establishments’ published by the Chartered Institute of Environmental Health, October 1995 (see**

Appendix 4 for original and Appendix 10 for proposed) be adopted as the Authority's licensing conditions in respect of dog boarding establishment using external kennels as amended by the requested proposed conditions.

5. the conditions set out in 'LACORS Model Licence Conditions for Home Boarding (Dogs), Animal Boarding Establishments Act 1963' published by LACORS in November 2005 along with the 'LACORS model home boarding conditions - Update and clarification, 14th October 2009' (see Appendix 5 for original and Appendix 11 for proposed) be adopted as the Authority's licensing conditions in respect of the home boarding of dogs as amended by the requested proposed conditions and Cabinet's support for conditions 5.5.7 and 5.8.3.
6. the conditions be applied from the 1st January 2016.
7. It be approved that officers may deviate from the detail of these conditions on a case by case basis, provided the proprietor can prove that the same or higher animal welfare standards are achieved by an alternative approach.

12. REVISED STREET TRADING POLICY

The Cabinet Member Development and Safety introduced the report and explained that the Council's current street trading policy was approved by Council on 22 February 2013 and came into effect on 1 April 2013. A review of the policy had been undertaken by officers and Cabinet was now asked to consider the consultation feedback as laid down in Appendix 3 of the draft policy and to recommend to Council the adoption of the revised policy.

The Cabinet Member explained that the policy aimed to regulate :

- 1) The location of street traders
- 2) The number of street traders
- 3) The types of goods to be sold or offered for sale

The scheme also aimed to :

- a) Prevent the obstruction of the streets by street trading activities
- b) Sustain established shopkeepers in the town
- c) Maintain the quality of the townscape and add value to the town
- d) Encourage inward investment
- e) Promote quality markets
- f) Promote more consistent decision making

A full list of trading locations and the permitted activities were laid down in Annex 1.

Finally, the Cabinet Member said that this policy did not fetter the council's discretion and applications for street trading consent for locations not approved can still be made and must still be determined. In these cases officers would

refer applications to the Licensing Committee in accordance with the scheme of delegation.

The Cabinet Member informed Members that the new policy sought to define appropriate locations for street trading mainly in the town centre. These locations were associated with a range of permitted goods that can be sold or offered for sales. The locations and permitted goods would be kept under regular review to ensure that street trading activity did not conflict with the retail offer and investment but also to ensure it did not detract from the investment and improvement to the town centre.

The Leader welcomed the revised policy which would provide clarity to applicants on what type of activity was likely to be approved. The Licensing Committee would decide each application on its own merits.

RESOLVED THAT

- 1. the amendments to the current policy be noted**
- 2. the consultation feedback and officer comments be noted**
- 3. the draft amended policy be noted**
- 4. Council be recommended to adopt the revised policy.**

13. BRIEFING FROM CABINET MEMBERS

The Cabinet Member Clean and Green Environment reported that the planning application for the Pittville Park play area had now been submitted. He wished to thank both the Echo and Radio Gloucestershire for promoting the proposed plans which had generated significant interest.

The Cabinet Member Finance reported that the Council was about to submit a listed building application for the War Memorial having now established how to proceed with the renovation and restoration of the monument. He emphasised that in addition to the physical renovation of the monument it would be the focus of community activity as well. He explained that part of the application to the Heritage Lottery Fund early next year was to invite community organisations to come forward with projects they would like to see and expressions of interest were sought by the deadline of 18 December. In addition the project was likely to potentially involve schools.

14. CABINET MEMBER DECISIONS

Members reported the following decisions which had been taken since the October meeting of Cabinet :

CABINET MEMBER	DATE	DECISION
Cabinet Member Finance	20 October	Freehold disposal of derelict site at Vineyards Lane
Leader	20 October	Nomination of Cllr Tim Harman as CBC's

		representative on the Victory Trust Committee
Leader	23 October	Written Resolution in respect of Ubico- Revised Remuneration for Managing Director
		Written Resolution in respect of Ubico-Approval of the Business Plan 2015/16

Chairman

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Housing Revenue Account New Build – Swindon Road Site

Accountable member	Councillor Peter Jeffries, Cabinet Member Housing
Accountable officer	Martin Stacy, Lead Commissioner – Housing Services
Ward(s) affected	St Pauls
Key Decision	Yes
Executive summary	In March 2015 Cabinet resolved that the Authority seek bids from contractors to build new homes on the redevelopment of the site at the corner of Swindon Road/Brunswick Street. Following a recent procurement exercise this report seeks approval to enter into a JCT Design and Build Contract with J Harper and Sons with Total Scheme Costs not to exceed £1,439,500. The scheme will deliver ten new homes.
Recommendations	<p>That Cabinet:-</p> <ol style="list-style-type: none"> 1. Subject to subsequent Council approval, authorise the Authority to accept the tender received from J Harper and Sons and enter into a JCT Design and Build Contract for the construction of ten new dwellings with Total Scheme Costs not to exceed £1,439,500. 2. Delegate authority to the Head of Property and Asset Management, in consultation with the Borough Solicitor to: <ol style="list-style-type: none"> 2.1. Conclude the JCT Design and Build contract with J Harper and Sons. 2.2 Take all necessary steps and undertake all necessary procedures, including entering into any legal agreements or other documentation as may be required to implement or facilitate the developments. 3. Authorise the Authority to charge Affordable Rents to all ten dwellings at 80% of Market Rents. <p>Cabinet recommends that Council:</p> <ol style="list-style-type: none"> 4. Authorise the allocation of up to £1,439,500 for the construction of ten new dwellings. 5. Note that the total scheme costs of £1,439,500 (broken down in further detail in exempt appendix 3) will be funded by circa £430k of RTB receipts with the balance funded by the most appropriate combination of the other funding streams noted within the report – this decision being delegated to the Section

151 Officer in accordance with Financial Rules B7 and B8.

6. Approves the Authority sourcing loan finance of up to £1.0m from the Public Works Loan Board to be used for the construction of ten new dwellings.

<p>Financial implications</p>	<p>As outlined in the report and exempt appendix.</p> <p>The development of an HRA new build programme will require an ongoing review of resource availability to ensure the most effective and timely use of each funding stream. The choice of funding streams is delegated to the Section 151 Officer.</p> <p>Contact officer: Paul Jones</p> <p>Paul.Jones@cheltenham.gov.uk</p> <p>01242 775154</p>
<p>Legal implications</p>	<p>The Authority has the power under Section 9 of the Housing Act 1985 to build new housing accommodation on land it owns for that purpose. This site is held for housing purposes.</p> <p>Due to the value of the JCT contract, the Authority's constitution requires Cabinet approval to the Authority awarding the contract.</p> <p>As the Authority owns the land on which the dwellings are to be constructed, it will be the Authority entering into the contract. CBH will monitor the contract and the progress of the build on the Authority's behalf with assistance from Employer's Agents engaged by the Authority.</p> <p>Contact officer: Rose Gemmell, Solicitor</p> <p>rose.gemmell@tewkesbury.gov.uk 01684 272014</p>
<p>HR implications (including learning and organisational development)</p>	<p>There are no direct HR implications arising from this report.</p>
<p>Key risks</p>	<p>Please see risk assessment at Appendix 1 of this report.</p>
<p>Corporate and community plan Implications</p>	<p>By increasing the provision of new affordable housing we will be supporting our key strategic objective of strengthening our communities</p>

<p>Environmental and climate change implications</p>	<p>The redevelopment of the site will improve the area as it currently consists of derelict commercial units.</p> <p>The quality of the proposed housing will have an impact on climate change. All of the dwellings will achieve a minimum of Code for Sustainable Homes level 3 adopting a 'fabric first' approach to energy efficiency. The intention is that Solar Photovoltaic panels will be installed to the houses to contribute towards the electricity generation in the dwellings.</p>
<p>Property/Asset Implications</p>	<p>The redevelopment of the site will bring back into use current underutilised land and add to the affordable housing stock.</p> <p>The potential party wall awards have been built into the £1.439m Total Scheme Costs.</p> <p>Should this HRA site not be developed for affordable housing then the only other development the planners would support will be commercial for which there would be limited demand.</p> <p>Contact officer: David Roberts, Head of Property Services david.roberts@cheltenham.gov.uk, 01242 264151</p>

1. Background

- 1.1 In March 2015, Cabinet was provided with an update on the pipeline development programme for new build housing. Since then CBH has continued to work with Council Officers via the Joint Programme Group (JPG) to progress suitable sites for new build development within the Housing Revenue Account (HRA). The next tranche of dwellings will be owned by CBC rather than CBH to ensure Right to Buy (RTB) receipts are utilised, by their due date, to part fund the project.
- 1.2 The redevelopment of the site at Swindon Road resulted from a comprehensive survey of all CBC owned assets which considered their current use together with site redevelopment potential.
- 1.3 The site consists of a former car mechanics garage the lease of which has expired and the tenant has vacated the property.
- 1.4 CBH continues to progress a number of other sites which includes the redevelopment of 5 further garage sites and the regeneration of Cakebridge Place/Whaddon Road. In total these developments are expected to provide circa 26 new affordable dwellings.

2. Scheme Details

- 2.1 The Swindon Road scheme will provide 10 homes comprising of a range of house types as follows to meet local housing need: 5 x 1 bed 2 person flats; 3 x 2 bed 3 person flats and 2 x 2 bed 4 person semi-detached dwellings.

The site is in CBC's ownership and there is no acquisition cost.
- 2.2 Planning permission was granted for the redevelopment of the former commercial site on 16th July 2015.
- 2.3 Due to the proximity of the proposed new dwellings in relation to existing housing the Party Wall Act will apply to a number of adjoining properties. A Party Wall Surveyor has been appointed to ascertain the dwellings affected, serve the relevant Notices and negotiate Awards where necessary.

3. The Case for Redevelopment

- 3.1 One of the 3 key aims in the approved 30 year HRA business plan is to build new affordable homes in the Cheltenham area. This development proposal is important in meeting this aim.
- 3.2 The benefits of proceeding with this development include:
 - it aligns with CBC's housing strategy by helping to provide for current housing needs;
 - it ensures the redevelopment of underutilised land within the HRA;
 - it provides ten high quality homes; and
 - it will further strengthen the HRA through positive cashflows from Year 1 and a significant return on investment over 40 years (a present value contribution in excess of £0.4m assuming funding via £430k of RTB receipts, £700k of loan and £310k of HRA new build reserves).
It should be noted that the present value contribution may change depending on the final funding structure.

4. Alternative Uses of RTB Receipts

- 4.1 Following the re-invigoration of the RTB policy in 2012, the Government introduced complex rules on how the proceeds from sales are distributed and used. The Council has signed a retention contract (in common with most local authorities) which allows a significant proportion of such receipts to be kept by the authority on the proviso they are used to finance new build expenditure (at a ratio of 30% of eligible expenditure) within 3 years of receipt.
- 4.2 Right to Buy sales in Cheltenham since April 2012 have generated a total of £1.716m of retention receipts as at 30 September 2015. The receipts are accrued on a quarter by quarter basis and the authority is required to use them within 3 years of the quarter in which they were realised. This would require total expenditure of £5.720m on new affordable housing by 30 September 2018 and the expenditure will also have to meet the phasing of the receipts. If the receipts are not

used by the due date the Council is required to pay them over to Government with interest.

- 4.3 The receipts can only be used to fund “additional” affordable rented housing. These new homes can be new build council homes, newly acquired council homes (existing homes bought on the open market but not those already owned by a registered provider), or social housing provided through local authority grant to registered providers (but not one controlled by the authority i.e. not CBH). While it is the Government’s intention to encourage an increase in the supply of new housing (new build always being the favoured option) the receipts can be used to buy existing properties for conversion into affordable rent.
 - 4.4 The 3 options noted above for use of RTB receipts have been considered in proposing this redevelopment. The considerations, relating to the 3 options, are set out below:
 - 4.4.1 Council officers have been working with CBH to identify new build schemes which will satisfy the criteria for retaining and using RTB receipts and meet current housing need. The scheme brought forward for approval in this report is one of a number currently under appraisal. Building new homes, in line with this scheme, provides the greatest financial contribution to the HRA of each of the 3 options for using RTB receipts set out above.
 - 4.4.2 Utilising the same level of funds, and RTB receipts, properties could be purchased from the open market and made available for affordable rent. This option could also provide additional council properties in line with housing need. However, full market price would need to be paid for stock that would be of a lower standard than this scheme provides. Depending on the age, price and availability of property purchased this could also result in fewer homes being provided and the financial contribution to the HRA would be lower than option 1 above.
 - 4.4.3 Granting the RTB receipts to an independent registered provider could provide new affordable rent properties in Cheltenham however there is no certainty that these will deliver additionality to existing development plans. In addition there would be no financial contribution to the HRA.
 - 4.5 Further to the 3 options for using RTB receipts above, the possibility of selling the site has been considered. An independent valuation of the site has been commissioned based on affordable housing development. This independent report shows that no additional value can be gained by selling this site. Therefore the recommended approach is to redevelop this site within the HRA.
- 5. Other Funding Available for New Build**
- 5.1 In addition to RTB receipts new build expenditure in the HRA can be funded from the following sources:-
 - 5.1.1 External borrowing financed by the HRA – the level of borrowing was restricted by Government as part of the self- financing settlement in 2012, the “debt cap” for Cheltenham being set at £52.862m. Current HRA debt totals £44.75m, leaving £8.112m available to finance new expenditure.
 - 5.1.2 Capital Receipts from HRA asset disposals not arising from RTB. These receipts are exempt from pooling regulations and can be used to finance any capital expenditure without time restraint or the conditions related to use of retention receipts as described above. The sum available at 31st March 2015 was £532,000. This is being increased by proceeds from the disposal of the St Pauls Phase 2 site in the current year (approximately £1.4m in total) and proceeds from the sale of three additional properties (approximately £0.4m), having been approved by Cabinet for market disposal.
 - 5.1.3 Revenue contributions from the HRA. The Council has previously resolved to transfer £2m from HRA reserves to an earmarked reserve for new build development. After using a proportion of the reserve to fund preliminary costs in 2014/15, the balance remaining at 31st March 2015 was £1.903m. This is currently being used to finance new build expenditure in 2015/16 prior to a final funding decision by the Section 151 Officer.
 - 5.1.4 The Council can also consider funding the delivery of affordable housing schemes through the use of commuted sums received from developers.
 - 5.2 The total scheme costs of £1.439m (broken down in further detail in exempt appendix 3) will be funded by circa £430k of RTB receipts with the balance funded by the most appropriate

combination of the other funding streams noted above – this decision being delegated to the Section 151 Officer.

6. Consultation and feedback

- 6.1 These proposals have been developed through consultation with key stakeholders including Ward Councillors.
- 6.2 Local residents surrounding the site were written to confirming the intention to redevelop to provide new affordable housing. Prior to the formal submission of the planning application two information sessions were arranged at a local facility to give residents and local stakeholders the opportunity to review the proposals.
- 6.3 Pre-application planning advice was sought and the scheme has been amended to incorporate comments from the Planning Department. The proposals submitted to the Planning Department reflect the feedback received from the information sessions, CBC Planning department and CBC and CBH staff members.
- 6.4 CBC Councillors have been consulted on the proposals via the Asset Management Working Group.
- 6.5 Prior to the commencement of construction works, all affected residents will be written to and a further drop in session will be arranged, to include meeting the contractor to unveil the intended site traffic plan etc.

7. Tender Validation

The report on tender from the project appointed Employers Agent and Quantity Surveyor, PMP, confirms that the tender from J Harper and Sons is competitive in the current market and represents value for money for the size and scope of the works proposed. Please see exempt Appendix 2.

8. Indicative Programme

- **Planning achieved:** 16th July 2015
- **Tenders returned:** 16th October 2015
- **Required approvals:** Cabinet (8th December) and Council (15th December)
- **Contract start date:** Pending the outcome of Cabinet and Council approval the intention is to award the contract to J Harper and Sons to follow.
- **Start on site:** Assuming a 12 week lead in time the likely start on site date will be March 2016.
- **Practical Completion:** Anticipated January 2017.

9. Performance monitoring and review

- 10.1 JPG will continue to oversee the delivery of the forward programme of housing development. An Operational Group has been created consisting of key Officers from CBH and CBC to deliver day-to-day management and to provide JPG with performance monitoring and reporting data.
- 10.2 The performance of the contractor will be monitored informally each week at regular site visits and formally each month at the monthly site meetings to ensure compliance with the contractual obligations of the JCT Design and Build contract.
- 10.3 Close financial monitoring of the scheme will continue with costs monitored on a monthly basis to ensure budgets are not exceeded. Should any issues be encountered these will be discussed to ensure appropriate action is agreed.

10. Forward Actions

Following approval of the recommendations contained herein, CBH to progress completion of the overall legal documentation and CBC enter into the Build Contract.

<p>Report authors</p>	<p>Contact officers:</p> <p>Alison Salter, CBH Development Project Manager Alison.Salter@cheltborohomes.org 01242 774612</p> <p>Martin Stacy, Lead Commissioner for Housing Services CBC Martin.Stacy@cheltenham.gov.uk 01242 775214</p>
<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. Site location plan 3. Report on Tender from PMP (confidential) 4. Financial Assessment (confidential)
<p>Background information</p>	<p>Cabinet Report 17th March 2015</p>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the capital receipts held from RTB sales under the retention agreement with DCLG are not used within 3 years of receipt they are repayable with interest to the Government	Pat Pratley	December 2013	3	2	6	Reduce	CBC and CBH to work closely via JPG to monitor the programme to enable construction on the first sites to commence in the Autumn 2015; Acquire properties off the open market to utilise RTB receipts as approved by Cabinet November 2015.	March 2016	Martin Stacy	
	If the contractor and/or its sub-contractors become insolvent or otherwise cease to trade, then this will adversely impact on the delivery of the programme	Pat Pratley	June 2015	3	3	9	Reduce	Effective contract management; inclusion of retention monies in contract; include Liquidated and Ascertained damages within the contract in the case of delays to the programme; ongoing dialogue with the contractor to monitor labour and resources	January 2017	Martin Stacy	
	If significant adverse ground conditions and site contamination is identified, then this will impact on the delivery of the programme	Pat Pratley	April 2015	3	4	12	Reduce and/or transfer to a 3 rd party	A Site investigation has been completed and issued to the contractor, assume asbestos containing materials will be found in the existing buildings. If additional unknowns are identified which require further specialist intervention, issue the contractor with the report findings and engage in	March 2016	Martin Stacy	

								detailed discussions with the specialist as to how to manage the risk. Include a contingency in the scheme costs.			
	The logistics of the site (restricted access into the site and limited capacity on site) pose issues for construction traffic and have an adverse impact on construction and adjoining residents.	Pat Pratley	September 2015	3	4	12	Transfer to 3 rd party	Contractor was issued with site details at tender stage and visited the site numerous times. The Contractor is to issue a pre construction health and safety plan prior to commencing works which will address their approach to the site access constraints	From March 2016	Martin Stacy	
	The cost of services connections is in excess of the provisional sums allowed. Issues with the timing as to when the services are connected are encountered causing a delay to the programme.	Pat Pratley	September 2015	3	3	9	Transfer to 3 rd party	Include a contingency to account for additional costs associated with services connections. Engage with the contractor following approval to enter into contract to enable critical pre construction work to commence and services applications.	From March 2016	Martin Stacy	

Explanatory notes

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

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

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

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

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Francis Close Hall

DWI 37.1411

Lodge

ST PAUL'S LANE

ST PAUL'S STREET NORTH

BRUNSWICK STREET

SWINDON ROAD

NORMAL TERRACE

UTH

COURT

Club

St George's

El Sub Sta

PH

47 Works

BM 58.97m

key

— site boundary

N O T E S

Only figured dimensions to be used for construction. Check all dimensions on site.



R E V I S I O N S

P R O J E C T

Brunswick Street
Cheltenham

C L I E

Cheltenham Borough
Homes

T I T L E

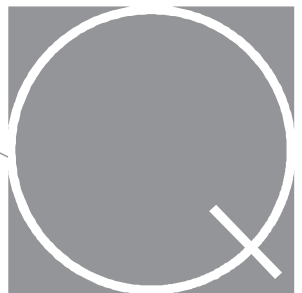
Site Location Plan

D R A W N C H E C K E D

SH SH

S C A L E D A T E

1:500@A3 August 2014



Quattro
designarchitect

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BRISTOL
BS1 5SR
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FAX (0117) 9349000

IMPERIAL CHAMBERS
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**Cheltenham Borough Council
Cabinet – 8th December 2015
Council – 14th December 2015
Treasury Mid-Term Report 2015/16**

Accountable member	Finance & Community Development , John Rawson
Accountable officer	Section 151 Officer, Paul Jones
Accountable scrutiny committee	Economy & Business Improvement
Ward(s) affected	None
Key Decision	Yes
Executive summary	The Treasury Management Strategy for 2015/16 has been determined by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 (revised 2011), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority has adopted the code and complies with its requirements.
Consultation	The Treasury Management Panel have considered this report on 23rd November 2015.
Recommendations	Treasury Management Panel approves the following recommendation to Cabinet/Council: 1. Note the contents of the summary report of the treasury management activity during the first six months of 2015/16.

Financial implications	All financial implications are detailed throughout the report Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk, 01242 264337
Legal implications	None specific arising from the report recommendations. Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01242 264216

HR implications (including learning and organisational development)	No direct HR implications arising from this report Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk. 01242 264355
Key risks	see appendix 2
Corporate and community plan Implications	None
Environmental and climate change implications	None

1. Background

1.1 The Treasury Management Strategy for 2015/16 has been developed by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 (revised 2011), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority has adopted the code and complies with its requirements, one of which is the provision of a Mid-year report to Members.

2. Economic update for the first six months

2.1 The following key points have been provided by the councils Treasury Advisors, Capita Treasury Solutions.

2.2 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

2.3 The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon re-join the world oil market after the impending lifting of sanctions, there could be several more months of

low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

- 2.4 There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

3. Portfolio position 1/4/2015 to 30/9/2015

Movements in the Council's borrowing during the first six months of 2015/16 financial year can be seen in the table below. Long term loans are deemed to be those repayable over a period of more than one year.

Source of Loan	Balance at 1 April 2015 £	Raised during Apr-Sept £	Repaid during Apr-Sept £	Balance at 30 Sept 2015 £
Temporary Borrowing				
- Local Authorities	0	13,020,000	13,020,000	0
Temporary Investment	21,000	0	0	21,000
Total Short Term Borrowing	21,000	13,020,000	13,020,000	21,000
Long Term Borrowing				
- Public Works Loan Board	43,030,000	6,950,000	256,270	49,723,730
- Market Loans	15,900,000	0	0	15,900,000
Long Term Borrowing	58,930,000	6,950,000	256,270	65,623,730
Total External Borrowing	58,951,000	19,970,000	13,276,270	65,644,730

- 3.1 In February 2015 the Council's borrowing costs for 2015/16 was set to be £2,067,400. This is now forecast to come in at £2,169,000 for the year, an increase of £101,600. The increase is due to an additional £4.75m borrowed from the PWLB to finance the purchase of Delta Place. This has increased borrowing costs by a further £83,200 and an additional £18,400 is expected to be repaid back to the HRA for reserves and balances held within the council investment balances. These balances are expected to come in higher than what was estimated in February 2015.

- 3.2** The PWLB remains an attractive source of borrowing for the Council as it offers flexibility and control. Due to downward moves in gilt yields in the first quarter, this resulted in PWLB rates falling across all maturities due to fear around the slowdown in China and Japan. In May 2015 a loan of £2.2m was taken out with the PWLB for 30 years at a rate of 3.08% on behalf of Cheltenham Borough Homes. The loan is cost neutral for the Council as Cheltenham Borough Homes are repaying the Council in line with the repayment schedule.
- 3.3** As highlighted in paragraph 3.1 the Council purchased Delta Place in June 2015 and went and borrowed £4.75m from the PWLB.

The loans drawn were:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£1.5m	Fixed interest rate	2.80%	15 years
PWLB	£1.75m	Fixed interest rate	3.07%	20 years
PWLB	£1.5m	Fixed interest rate	2.16%	10 years

4. Investments

The DCLG's Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy for 2015/16 approved by Council on the 13th February 2015. This restricted new investments to the following

Investment	Max Sum per institution/group	Maximum period
Debt Management Agency Deposit Facility* (DMADF) <ul style="list-style-type: none"> this facility is at present available for investments up to 6 months 	UNLIMITED	6 months
UK Government Gilts	£2m	2 years
UK Government Treasury Bills	UNLIMITED	1 year
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	£7m	2 years
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year (UK & Non-UK)	£7m	1 year
Money Market Funds with UK/Ireland/Luxembourg domiciled	£1m	1 year

Corporate Bonds held in a broker's nominee account (King & Shaxson Ltd)	£2m	2 years to maturity
T-Bills issued by the DMO (Government)	UNLIMITED	1 year
Certificates of deposit (CD's) issued by banks and building societies covered by UK Government (explicit) guarantee	£7m	2 years

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

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

4.1 It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.50% Bank Rate. As part of the 2015/16 Treasury Management Strategy investments have only been those which met the lending criteria set, and up to a maximum period of one year. Treasury officers have kept to this strategy for the period reported on. Given this risk environment, investment returns are likely to remain low.

4.2 Investments - Movements in the Council's investment portfolio during the first six months of 2015/16 can be seen in the table below.

Source of Loan	Balance at 1 April 2015 £	Raised during Apr-Sept £	Repaid during Apr-Sept £	Balance at 30 Sept 2015 £
Short term Lending				
Bank – Term Deposit	9,000,000	7,600,000	12,900,000	3,700,000
Building Societies	3,000,000	6,300,000	5,000,000	4,300,000
Call A/C's	6,590,000	69,200,000	69,910,000	5,880,000
Local Authorities	0	1,000,000	0	1,000,000
Glos Airport Ltd	210,000	0	35,000	175,000
Money Market Funds	2,000,000	2,000,000	2,000,000	2,000,000
Bonds	0	2,610,662	0	2,610,662
Total Short Term Lending	20,800,000	88,710,662	89,845,000	19,665,662

Icelandic Banks in administration	Balance at 1 April 2015 £	Raised during Apr-Sept £	Repaid during the year £	Balance at 30 Sept 2015 £
- Kaupthing Singer & Friedlander	522,486	0	0	522,486
- Glitnir	572,400	0	0	572,400
Total Icelandic Banks	1,094,886	0	0	1,094,886
Total External Investments	21,894,886	88,710,662	89,845,000	20,760,548

4.3 In February 2015 the Council's Investment income for 2015/16 was budgeted to be £60,000. The average cash balances representing the council's reserves and working balances, was £16.88m during the period this report covers. The Council anticipates an investment outturn of £123,200 at a rate of 0.70% for this financial year as treasury officers have been able to gain some good rates with the Bonds and Certificate of Deposits purchased. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

4.4 Included within the investments of £20.761m as at 30th September 2015, the Council has £1.095m deposited in the collapsed Icelandic banks.

4.5 Glitnir's Winding-up-Board made a distribution to priority creditors back in March 2012, which amounted to 78p in the pound. The remaining balance is held in an escrow account in Iceland. The Central Bank of Iceland is controlling the movement of Icelandic Krona's, so the Council has been unable to gain access to these funds. The Council is working with the Local Government Association (LGA) and Bevan Brittan (appointed solicitors) to recover the remaining amount.

4.6 Kaupthing Singer & Friedlander administrators have made distributions of 82.5p in the pound to date. Administrators currently estimate a total return of 85p-86.5p in the pound. No future date for the next dividend payment has been set yet.

5. Prudential Indicators

5.1 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Annual Treasury Strategy Statement. Appendix 1 attached highlights the major indicators.

6. Outlook

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

6.1 Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

7. Performance management

7.1 In compliance with the requirements of the Treasury Management CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first six months of 2015/16. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Report author	Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk 01242 264337
Appendices	Prudential Indicators Appendix 1 Risk Appendix 2
Background information	Treasury Management Strategy, Council 13th February 2015

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The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2015/16 Original Estimate	Current Position As at 30th Sept 2015	2015/16 Revised Estimate
	£m	£m	£m
General Fund	2.309	14.552	23.838
HRA	6.688	2.748	6.780
Total	8.997	17.300	30.618

Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2015/16 Original Estimate	2015/165 Revised Estimate
	£m	£m
Financed by:		
Capital receipts	847	7.809
Capital grants	306	660
Capital reserves	6.184	5.912
Third Party Contribution	50	893
Revenue	804	975
Total financing	8.191	16.249
Borrowing need	806	14.369

Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the revised forecast Capital Financing Requirement

Prudential Indicator – External Debt / the Operational Boundary

	2015/16 Original Estimate	Current Position As at 30 th Sept 2015	2015/16 Revised Estimate
	£m	£m	£m
Prudential Indicator – Capital Financing Requirement			
CFR – non housing	38.470	25.975	51.950
CFR – housing	35.400	17.700	35.400
Total CFR	73.870	43.675	87.350
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	106.600	106.600	106.600
Other long term liabilities*	-	-	-
Total debt 31 March	106.600	106.6000	106.600

Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2015/16 Original Estimate	Current Position As at 30 th Sept 2015	2015/16 Revised Estimate
	£m	£m	£m
Gross borrowing	67.830	74.622	74.504
CFR* (year end position)	73.870	87.350	87.350

The Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2015/16 Original Indicator £m	Current Position As at 30 th Sept 2015 £m	2015/16 Revised Indicator £m
Borrowing	60.827	65.619	65.501
Other long term liabilities*	0	0	0
Total	60.827	65.619	65.501

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	LOBO Loans - If £7m of these loans is recalled by the banks if they choose to exercise their option then we would need to have the resources on the day to repay. Alternative borrowing arrangements at today's current rates would be favourable for the Council	Section 151 Officer Paul Jones	24 th January 2012	1	2	2	Accept	If the loans are recalled the council could take out temporary borrowing which is currently much lower than the rates on these loans. Any capital receipts available could also be used to repay debt.	March 2016	Section 151 Officer Paul Jones	

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