



# CHELTENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Cabinet

**Tuesday, 15 December 2015**

**6.00 pm**

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

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

### Agenda

		<b>SECTION 1 : PROCEDURAL MATTERS</b>	
<b>1.</b>		<b>APOLOGIES</b>	
<b>2.</b>		<b>DECLARATIONS OF INTEREST</b>	
<b>3.</b>		<b>MINUTES OF THE LAST MEETING</b> The minutes of the meeting held on 8 December 2015 will be approved at the January meeting of Cabinet	
<b>4.</b>		<b>PUBLIC AND MEMBER QUESTIONS AND PETITIONS</b> These must be received no later than 12 noon on the fourth working day before the date of the meeting	
		<b>SECTION 2 :THE COUNCIL</b> <i>There are no matters referred to the Cabinet by the Council on this occasion</i>	
		<b>SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEE</b> <i>There are no matters referred to the Cabinet by the Overview and Scrutiny Committee on this occasion</i>	
		<b>SECTION 4 : OTHER COMMITTEES</b> <i>There are no matters referred to the Cabinet by other Committees on this occasion</i>	
		<b>SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS</b>	
<b>5.</b>		<b>GLOUCESTER, CHELTENHAM AND TEWKESBURY JCS</b>	(Pages

		<b>- BUDGET REQUEST FOR 2016/17</b> Report of the Leader	3 - 8)
6.		<b>GENERAL FUND REVENUE AND CAPITAL-INTERIM BUDGET PROPOSALS 2016/17 FOR CONSULTATION</b> Report of the Cabinet Member Finance	(Pages 9 - 36)
7.		<b>HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL-REVISED BUDGET 2015/16 AND INTERIM BUDGET PROPOSALS 2016/17 FOR CONSULTATION</b> Report of the Cabinet Member Finance	(Pages 37 - 52)
		<b>SECTION 6 : BRIEFING SESSION</b> <ul style="list-style-type: none"> <li>• Leader and Cabinet Members</li> </ul>	
8.		<b>BRIEFING FROM CABINET MEMBERS</b>	
		<b>SECTION 7 : DECISIONS OF CABINET MEMBERS</b> Member decisions taken since the last Cabinet meeting	
		<b>SECTION 8 : ANY OTHER ITEM(S) THAT THE LEADER DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	

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### Cheltenham Borough Council

**Cabinet – 15 December 2015**

### **Gloucester, Cheltenham and Tewkesbury Joint Core Strategy budget request for 2016/17**

<b>Accountable member</b>	<b>Leader</b>
<b>Accountable officer</b>	<b>Director of Planning</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>Due to the extended period of the examination of the Gloucester, Cheltenham and Tewkesbury Joint Core Strategy (JCS) and the extensive additional evidence and legal advice to support the process the budget implications for each of the JCS authorities has been revised for the period 2016/17.</p> <p>The JCS authorities have, since 2008 provided an annual contribution per authority of £60,000. Section 2 of this report sets out the detail of the request for a total contribution of £195,000 (i.e. £135,000 per Council in addition to the £60,000) per JCS authority for the financial year 2016/17.</p> <p>This report identifies the continuing resource needs of work to deliver a Community Infrastructure levy (CIL) and ways in which management and set up costs can be claimed back.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Cabinet endorses the recommendation of the JCS Cross Boundary Programme Board for inclusion within the 2016/17 budget of a total of £195,000 (£60,000 + £135,000) to complete delivery of the JCS examination and its adoption; and</b></li> <li><b>2. Tasks the Director of Planning to investigate options for a management fund facilitated through S106 and CIL and how alternative funds may support a shared officer resource.</b></li> </ol>
<b>Financial implications</b>	<p>The funding recommendation will form part of the 2016/17 budget proposals for Council approval in February 2016.</p> <p>Should alternative funding options for the shared CIL post be unavailable, further budgetary provision will be required.</p> <p><b>Contact officer: Nina Philippidis, nina.philippidis@cheltenham.gov.uk, 01242 264121</b></p>

<p><b>Legal implications</b></p>	<p>The JCS forms part of the Council’s statutory emerging development plan and it is essential to have a “plan led” system if the planning process is to deliver sustainable growth. In the absence of an up to date JCS and supporting Local Plan, local authorities are vulnerable to challenge when they are unable to demonstrate a robust 5 year housing land supply (HLS).</p> <p>In the absence of a 5 year HLS, local authorities are having imposed upon them by decision of the Secretary of State, planning permissions which need not necessarily comply with the current or emerging Local Plan or any of the emerging strategic policies within the JCS. It is therefore essential that Local Plans and the JCS are progressed expeditiously if the threat of adverse planning decisions being forced upon JCS partners is to be avoided.</p> <p><b>Contact officer: cheryl.lester@tewkesbury.gov.uk, 01684 272013</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>No implications arising from this report</p>
<p><b>Key risks</b></p>	<p>See Appendix 1.</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The JCS is a corporate project.</p>
<p><b>Environmental and climate change implications</b></p>	
<p><b>Property/Asset Implications</b></p>	<p>No implications arising from this report</p>

## 1. Background

1.1 Cheltenham Borough Council has been working in collaboration with Gloucester City and Tewkesbury Borough Council since 2008 on the preparation of the JCS. The commitment to collaborative working is supported by an annual contribution of £60,000 per authority. This resource has been used to put in place the detailed evidence underpinning the JCS across a variety of disciplines where the technical expertise and/or capacity is unavailable within existing local authorities planning teams. The JCS budget over 2015/16 and 2016/17 are very much focussed upon delivering the Examination in Public (EiP). Costs arising in regards to this include Inspector and examination support costs, legal support and additional technical work arising from the debate at the EiP as directed by the Inspector. Where appropriate officers have questioned the need to deliver additional evidence, however the Inspector has responded on all occasions that additional work is required to address, in what her view are, gaps in information, updates to evidence and clarification - required to make the JCS a sound plan.

## 2. Reasons for recommendations

2.1 The JCS examination process is taking significantly longer than expected. The JCS was submitted to the Secretary of State in November 2014 with the expectation that the examination

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would be mostly complete in the 2015/2016 financial year. Accepting that the adoption process would have continued into 2016/2017, the budget impact for 2016/2017 was projected to be relatively small and well within the agreed JCS authorities agreed contributions of £60,000 per annum per authority.

- 2.2 However with the substantial increase in work requested by the Inspector (updates to pieces of technical evidence including objectively assessed need (OAN), economy, housing market assessments and viability), an increase over double of the number of sitting days as well as delays incurred by the transport modelling difficulties experienced by Gloucestershire County Council in gaining validation approval for the 2013 update of the Saturn model, has meant that now a substantial amount of the examination programme and adoption process will be examined in the 2016/2017 financial year and hence a budget request is necessary.
- 2.3 The key areas will be the stage three examination covering flooding, infrastructure needs, transport modelling, monitoring, viability and other more general policies; completion of the main modifications proposed and subsequent public consultation; and a further examination review by the Inspector before adoption. In addition to the JCS plan, CIL has also been budgeted for and whilst currently at the stage of a draft charging schedule, will subsequently also require its own examination process before adoption. Work on CIL is progressing and debate with elected members will be scheduled in the New Year.
- 2.4 It must be noted that a substantial amount of the further work being requested will also be useable for the Councils local plans and whilst this will not eliminate the need for further evidence (and cost) will reduce it.
- 2.5 A budget report was given to the JCS Cross Boundary Programme Board on 22 October 2015 and totalled a budget request of £435,000 (i.e. £145,000 per Council).
- 2.6 It was also noted that there is a risk of further costs especially expert legal advice/support and therefore it is prudent to add a further £150,000 to the total (£50,000 each Council) at this stage. Therefore **the total budget request is £195,000** per Council.
- 2.7 The following breakdown was noted:
- Consultancy (including infrastructure, flooding, viability): £84,000
  - Inspectors cost, Consultation on major changes and expert legal support: £130,000
  - Community Infrastructure Levy (completion of draft charging schedule, consultation and examination): £105,000. (see note below)
  - Internal costs (programme management, IT, etc.): £ 60,000

Of note within this budget the examination costs total £135,000 and associated legal support for the JCS examination is £55,000. Finally there is a £150,000 contingency against unknowns for example: expert legal advice, further transport modelling etc.

- 2.8 In regards to CIL – the levy is an alternative method to S106 for collection of monies from development and is different in that a rate is defined and set per sq. metre of development as opposed to the S106 system of negotiation. The levy is applicable to all development types set by the Borough Council should the Council agree to the implementation of CIL; so would support the infrastructure required for the economic growth of the area.
- 2.9 There is the option to retain a management charge on CIL income, however there is also the option to ‘claim back’ setup costs preceding the publishing of the charging schedule. The legislation allows for up to 5% of the total amount of CIL charged in the first 3 years from date of publishing the charging schedule to cover on-going costs as well as set-up costs. This will be

better determined as soon as rates are submitted for examination.

- 2.10 The Borough Council does not currently make a charge from S106 to the management of the fund, however should CIL be adopted it is likely that there will be a blend of CIL and S106. The recommendation of this report therefore tasks officers with investigating the implementation of a management charge to support ongoing administration, costs currently absorbed internally.
- 2.11 A shared resource with Gloucester and Tewkesbury Councils is currently being investigated to support the JCS councils in the future delivery of CIL. Costs arising are outside the £105,000 set out within paragraph 2.7 and options are being investigated to identify these costs through alternative funding sources.

**3. Alternative options considered**

- 3.1 There are no realistic alternative options. Cost could be limited on technical evidence and legal support, but this seriously puts all the JCS authorities at risk of the Inspector finding the JCS unsound.
- 3.2 The Cross Boundary Programme Board wrote to the Planning Inspector in November 2015 setting out their concerns regarding the speed and progress of the examination.

**4. Consultation and feedback**

- 4.1 Consultation has taken place with the Cross Boundary Programme Board. This Group receives regular updates on the JCS budget. The JCS Member Steering Group was updated on the budget position on 30 November 2015.

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

- 5.1 The JCS budget is monitored by the JCS Programme Manager and reported to the JCS Cross Boundary Programme Board.

<b>Report author</b>	<b>Contact officer: tracey.crews@cheltenham.gov.uk, 01242 264168</b>
<b>Appendices</b>	1. Risk Assessment
<b>Background information</b>	N/A

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
CR33	If the council does not keep the momentum going with regards to the JCS and move towards adoption this could result in inappropriate development.	Andrew North	May 2012	4	3	12	Reduce	Ongoing actions managed by JCS team	ongoing	Tracey Crews	Corporate Risk

**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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## Cheltenham Borough Council

**Cabinet – 15 December 2015**

### **General Fund Revenue and Capital - Interim Budget Proposals 2016/17 for Consultation**

<b>Accountable member</b>	<b>Cabinet Member for Finance, Councillor John Rawson</b>
<b>Accountable officer</b>	<b>Paul Jones, Section 151 Officer</b>
<b>Accountable scrutiny committee</b>	<b>Overview and Scrutiny Committee</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	This report sets out the Cabinet’s interim budget proposals for 2016/17 for consultation. The budget projections have been prepared before the local government finance settlement consultation has been released which is not expected until week commencing 14 <sup>th</sup> December 2015.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £190.84 for the year 2016/17 (an increase of 1.99% or £3.72 a year for a Band D property).</b></li> <li><b>2. Approve the growth proposals, including one off initiatives at Appendix 3, for consultation.</b></li> <li><b>3. Approve the proposed capital programme at Appendix 6, as outlined in Section 7.</b></li> <li><b>4. Delegate authority to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.</b></li> <li><b>5. Seek consultation responses by 20 January 2016.</b></li> <li><b>6. Resolves to recommend to Council that the Government’s recent changes to Housing Benefit, set out in section 5, should not be incorporated into the local council tax support scheme.”</b></li> </ol>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail:</b> paul.jones@cheltenham.gov.uk</p> <p><b>Tel no: 01242 775154</b></p>
<b>Legal implications</b>	<p>This report proposes an interim budget for consultation purposes and there are no specific legal implications at this stage.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail:</b> peter.lewis@tewkesbury.gov.uk</p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>In the spirit of building on our positive employee relations environment, the recognised trade unions will receive a budget briefing at the Joint Consultative Committee on 17<sup>th</sup> December 2015.</p> <p>Dialogue with the recognised trade unions will continue in order to ensure that the potential impact on employees is kept to a minimum. It is the Council's aim to avoid the need for compulsory redundancies wherever possible.</p> <p>The council's policies on managing change and consultation will be followed.</p> <p>Going forward, it is important that capacity is carefully monitored and managed in respect of any reductions in staffing and reduced income streams</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail:</b> julie.mccarthy@cheltenham.gov.uk</p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	As outlined in Appendix 1
<b>Corporate and community plan Implications</b>	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
<b>Environmental and climate change implications</b>	The draft budget contains a number of proposals for improving the local environment, as set out in this report.

## **1. Background**

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2016. This report sets out the interim proposals for 2016/17.
- 1.2 The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, more than 40% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.
- 1.3 The Spending Review 2015 confirmed that by the end of this Parliament, local government will retain 100 per cent of business rate revenues to fund local services although the system of top-ups and tariffs which redistributes revenues between local authorities will be retained. In return, local government will be required to take on additional responsibilities which may include the funding of public health and the administration of Housing Benefit for pensioners. The Government propose to consult on these and other additional responsibilities in 2016.

## **2. Spending Review and Local Government Finance**

- 2.1 Since 2009/10 the Council's core funding from the Government has been cut by some £4.2 million, from £8.8 million to £4.6 million.
- 2.2 On 25th November 2015, the Chancellor announced details of his Spending Review which determines how the Government will spend public money over the course of the Parliament by setting budgets for each central government department. In addition he made his Autumn Statement which is an annual update of the Government's plans for the economy and provides an update on the current state of public finances and the latest economic forecasts from the Office of Budget Responsibility.
- 2.3 In his Spending Review statement, the Chancellor appears to have started the process of reversing central government's hold over local government. The Chancellor has recognised that local financial accountability cannot be achieved when the majority of its income is determined, capped or controlled by Whitehall.
- 2.4 The proposal to allow local authorities to retain 100 per cent of their business rates income is positive, but further work needs to be done to determine the details. The Government has recognised that councils need to be able to decide how to spend their reserves in order to make financial decisions based on local circumstances. In addition the Government has announced an uplift in planning fees in order to ensure a properly resourced planning system, which is crucial to economic growth
- 2.5 Over the Spending Review period, central government's direct funding of local government will fall by 24 per cent in real terms. Local Government remains the most efficient part of the public sector and, whilst this is a smaller reduction than those imposed in the 2010 Spending Review, these further reductions will be extremely challenging.

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

- 2.6 The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provides match funding of

£1,484 for each new property for six years (based on national average for band D property – i.e. £8,900 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).

- 2.7** Funding is not ring-fenced and is designed to allow the 'benefits of growth to be returned to communities'. Funding is split 80:20 between district and county authorities, although it is now recognised that the funding from this scheme comes from top sliced Revenue Support Grant (RSG), which has reduced significantly over the years to compensate for the NHB payments.
- 2.8** The value of NHB available to the Council in 2016/17 has been estimated at £2,172,000. However, the Government intends to consult on reforms to the NHB, including means of 'sharpening' the incentive to reward communities for additional homes and reducing the length of payments from six years to four years. This latter proposal could reduce the NHB payable in 2016/17 by £583,500, although the Government has said it will consider introducing a 'floor' to ensure that no authority loses out disproportionately. This Council will therefore make strong representations on this potentially very damaging proposal.
- 2.9** The final value of NHB will be confirmed in the final budget proposals presented to Council in February 2016.

### **Parish Council Support Grant**

- 2.10** The Local Council Tax Support (LCTS) scheme operates in a similar way to discounts, such as for empty properties or single person occupiers. Rather than being accounted for as a benefit cash payment, the council tax base is reduced. Whilst this has no impact for the individual council tax payer, a lower council tax base reduces the tax yield to this Council, Gloucestershire County Council, Gloucestershire Police Authority and town and parish councils. To offset this impact, the Government pays a cash grant to all local authorities. The element of grant attributable to town and parish councils is paid to the billing authority (i.e. this Council). It is for each billing authority to agree with its town and parish councils any mechanism for paying over a share of the overall grant paid to the billing authority.
- 2.11** For 2013/14 through to 2015/16, the value of grant awarded to the 5 parish councils for LCTS was £10,269. Funding for Local Council Tax Support has been "rolled" in to the Revenue Support Grant and the Retained Business Rates Baseline Funding Position. As Government funding reduces, the Council will be under pressure to reduce the funding available for Local Council Tax Support available to town and parish councils. However, in order to give parish councils a degree of financial stability and give them the assurance they need to set their own precepts, once again it is not proposed to pass on any reductions in 2016/17.

### **Council Tax**

- 2.12** The Localism Act 2011 introduced a power to the Secretary of State for Communities and Local Government to issue principles that define what should be considered as an excessive council tax increase and to set limits. Any council that wishes to raise its council tax above the limit will have to hold a referendum, the result of which will be binding. The proposed limit for the last two financial years has been set at 2%.
- 2.13** For the past five years the Council has frozen its council tax precept at £187.12 a year for a Band D taxpayer, which was first set in 2010. In freezing its share of council tax for this unprecedented length of time, the Cabinet has borne in mind the difficult economic and financial climate that many of our residents face. However, during the period of the freeze our own financial position as a Council has deteriorated sharply. Our core Government funding has been cut by more than 47%, with further large cuts to come. In addition, inflation and pension deficits have continued to affect many areas of the Council's costs.
- 2.14** Since the borough share of council tax was last increased, CPI inflation has been of the order of

13%. We are currently going through a period of extremely low inflation, with CPI inflation being 0.0% in September 2015, well below the Monetary Policy Committee's (MPC) 2% target. However, this is likely to be relatively short-lived, with inflation projected to rise around the turn of the year as past falls in energy prices begin to drop out of the annual comparison. The MPC judges that it is currently appropriate to set policy based on a likelihood that inflation will return to the 2% target within two years.

- 2.15** However, consumer price inflation is not a particularly useful guide to what is happening to the Council's costs. The most significant cost to this Council is in respect of its employee related costs – and in this area of expenditure, some very considerable cost increases are on the way. Pay awards are assumed to be in the region of 1% per annum, employer pension contributions are increasing by £406k cumulatively per annum, and employer national insurance contributions will increase by 3.4% as a result of the creation of the single tier state pension and the end of contracting out of the second state pension.
- 2.16** With this in mind, the Cabinet has had to consider whether a further freeze in council tax is sustainable, or whether it will act against the interests of local residents by creating an increased risk of service cuts and/or larger tax increases in the future.
- 2.17** The uncertainty surrounding the future of New Homes Bonus, which represents a significant proportion of our income, and the actual final local government settlement which is not likely to be announced until January 2016, could place a number of our discretionary services at risk.
- 2.18** Therefore, at this stage the Cabinet is proposing a 1.99% increase in council tax in 2016/17; an increase of £3.72 for the year for a Band D property.

### **Collection Fund**

- 2.19** At this point in time, it is estimated that the Council's share of the Collection Fund surplus for 2016/17 is £150,000. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates and the Council's actual share will be confirmed within the final budget proposals presented to Council in February 2016.

## **3. The Cabinet's general approach to the 2016/17 budget**

- 3.1** In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs. The Cabinet's aim is to hold down council tax as far as possible, while also protecting frontline services.
- 3.2** The Cabinet's budget strategy for 2016/17, approved at a meeting on 13<sup>th</sup> October 2015, included an estimate of £1.825m for the 2016/17 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 5.9% cut in government support.
- 3.3** The final assessment of the budget gap for 2016/17, based on the detailed budget preparation undertaken over recent months and the assumed financial settlement is £1.834m which takes into account the following variations:
- Additional income raised through an increased tax-base £25k
  - Supported growth proposals in 2016/17 £85k
  - Additional off-street car parking income £60k
- 3.4** The key aims in developing the approach to the budget were to:
- Do everything possible to protect frontline services with a modest increase in council tax

- Identify savings that can be achieved through reorganisation of service delivery or raising additional income rather than through service cuts
- 3.5** In preparing the interim budget proposals, the Cabinet and officers have:
- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The full list of proposals for growth, including one off initiatives, is included in Appendix 3.
  - Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
  - Budgeted for pay inflation at 1% for 2016/17.
  - Budgeted for an increase in Members allowances of 1% for 2016/17.
  - Increased income budgets assuming an average increase in fees and charges of 2.0%, with some exceptions. The Cabinet proposes to freeze car park charges and green waste charges.
  - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.
- 3.6** As in previous years, the budget for the coming year is the result of a great deal of activity and hard work by officers and members throughout the year. The Cabinet has worked with officers to develop a longer term strategy for closing the funding gap and this is monitored regularly through the Bridging the Gap (BtG) programme. The Cabinet's interim budget proposals for closing the budget gap in 2016/17, which are the result of this work, are detailed in Appendix 4, split into:
- Decisions already made by Council totalling £567,400 in savings or additional income.
  - Proposals yet to be agreed by Council which are not built into the base budget, totalling £870,400. They comprise £170,400 of efficiency savings and additional income and an additional contribution from New Homes Bonus (NHB) of £700,000 to support the base budget.
- 3.7** The Bridging the Gap programme and the commissioning process have helped the Council to move towards a robust five-year strategy for closing the funding gap. The work done on leisure and culture services, shared services with our 2020 partner councils, management restructuring and the accommodation strategy, as well as a number of smaller pieces of work, give the Council the opportunity to think ahead over a period of several years, rather than planning its budgets a year at a time.
- 3.8** This budget proposes to make fuller use of the New Homes Bonus to support the revenue budget. However, in view of current uncertainties we have limited the amount of New Homes Bonus income being directly taken into the revenue budget to a total of £1.750m, which is 80% of the total expected income in 2016/17 of £2.170m. It is proposed that the remainder should be earmarked for one off or time-limited spending, kept in reserve or put towards this Council's contribution to the 2020 Vision Programme as agreed in February 2015.
- 3.9** The proposed one-off uses of New Homes Bonus income include £50k to support the well-liked and very effective Community Pride.
- 3.10** In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. The new reserve will also secure the Council against short-term challenges which we know we will encounter in the coming year. One of these financial challenges is a one-off drop in

business rates income estimated at £285k in 2016/17 due to redevelopment, with income levels recovering as development goes 'live' in 2017/18 and 2018/19. Another is the delay in securing car park income of £350k a year from the North Place development, which we expect to be resolved by the end of 2016. These short-term challenges require a short-term response and it is therefore the Cabinet's intention to meet the projected shortfall in funding of £395k in 2016/17 from the budget strategy (support) reserve rather than by cuts in services or increases in charges which would have a long-term impact.

### **4. Treasury Management**

- 4.1 Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 4.2 The latest forecast from our Treasury Advisors includes a first increase in the Bank Rate in quarter 2 or 3 of 2016 although it is recognised that events outside our control could result in a delay in any Bank Rate increase. With this in mind, for 2016/17 interest receivable is assumed to remain broadly consistent with that now projected for 2015/16.

### **5. Local council tax support scheme for 2016/17**

- 5.1 On 13th October 2014, the Council decided to keep the local scheme for working age customers unchanged for 2015/16 and 2016/17, other than the annual uprating of premiums, allowances, non-dependent deductions and any changes to the national pension scheme that need to be reflected in the local working age scheme.
- 5.2 For 2016/17 there are two changes outside of uprating which need to be considered for inclusion in the 2016/17 local scheme for working age customers, one of which is also a change in the national pension scheme for council tax support.
- 5.3 The first change is to reduce the time limit for backdating a claim from six months to one month where 'continuous good cause' has been shown for not contacting us at the correct time. This change would be to fall in line with the Housing Benefit scheme which is paid at the same time as council tax support, if someone also needs help with their rent. Between April and October this year, we had 10 council tax support cases which were backdated over one month.
- 5.4 The second change is the removal of the "family premium" from 1st May 2016 for new working age customers with children claiming council tax support; or for existing customers who become responsible for a child for the first time. Again this change would be to fall in line with the Housing Benefit scheme and the national pensioner scheme for Council Tax Support.
- 5.5 The family premium is one of a number of premiums, which are added together to make up a family's maximum award in council tax support and if their income is above this figure, they have to make a contribution to their council tax on a sliding scale. If it were to be removed from the council tax support scheme, we would still award premiums for each child, personal allowances for the customer being a lone parent or couple, and disability premiums for those who are disabled. In addition, customers on Universal Credit, Income Support, income related Employment & Support Allowance or Income based Job Seekers Allowance would still receive maximum support.
- 5.6 However, the family premium is £17.45 per week and if this were removed from the local council tax support scheme, new customers might have to pay up to an extra £3.49 per week if their total income is above the new maximum award for their family circumstances.
- 5.7 There are conflicting considerations in deciding whether to incorporate the changes into council tax support. Up to now, the Council has prided itself on protecting the council tax support scheme from Government cuts. Clearly the removal of family premium would impact on some of the

poorest people in the community. On the other hand it will complicate the administration of benefits and involve additional software costs if the removal of the family premium is not adopted, as it will result in us having to treat council tax support and Housing Benefit differently when a family makes a joint claim for both benefits.

- 5.8 On careful consideration, the Cabinet has decided not to recommend to Council that the Housing Benefit changes in respect of backdating and family premium are incorporated into the local council tax support scheme. However the council tax support scheme may need to be reviewed in a year's time when it is expected that the Government will announce further changes.

## 6. Reserves

- 6.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review forms part of the formal budget setting report presented to Council in February 2016. A projection of the level of reserves to be held at 31<sup>st</sup> March 2016 and 31<sup>st</sup> March 2017 respectively is detailed in Appendix 5.
- 6.2 The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

## 7. Capital Programme

- 7.1 The interim capital programme for the period 2015/16 to 2019/20 is set out at Appendix 6.
- 7.2 The strategy for the use of its capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from the Civic Pride reserve and capital receipts and the construction of new homes through Cheltenham Borough Homes. It also includes the allocations agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall and the Crematorium, the purchase of Delta Place and the Shopfitters site, a new play facility at Pittville Park and an earmarked contribution to public realm works at Boots Corner.

## 8. Property Maintenance Programme

- 8.1 The interim budget proposals include the 2016/17 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £600k to planned maintenance as detailed in Appendix 7.

## 9. Reasons for recommendations

- 9.1 As outlined in the report.

## 10. Alternative options considered

- 10.1 The Cabinet has considered many alternatives in arriving at the interim budget proposals. Opposition groups will be able to suggest alternative budget proposals for consideration by Council in February 2016.

## 11. Consultation and feedback

- 11.1 The formal budget consultation on the detailed interim budget proposals will be over the period **16 December 2015 to 20 January 2016**. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience.



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During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2016 and any comments will be fed back to the Cabinet.

- 11.2** Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to consider their full implications and to be built into the budget.
- 11.3** All comments relating to the initial budget proposals should be returned to the Section 151 Officer by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the council's website. Comments can be e-mailed to **money matters@cheltenham.gov.uk**.
- 11.4** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Section 151 Officer (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.
- 11.5** Given the financial pressures and the potentially very difficult decisions which will have to be made, it is very important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

## 12. Performance management – monitoring and review

- 12.1** The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from delivery of services to delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.
- 12.2** The delivery of the savings workstreams included in the interim budget proposals, if approved by full Council will be monitored by the BtG group.

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<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Summary net budget requirement</li><li>3. Growth</li><li>4. Savings / additional income</li><li>5. Projection of reserves</li><li>6. Capital programme</li><li>7. Programmed Maintenance programme</li></ol>
<b>Background information</b>	<ol style="list-style-type: none"><li>1. Budget Strategy and Process 2016/17 report to Cabinet 13 October 2015.</li></ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
CR3	If the Council is unable to come up with long term solutions which bridge the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	15 December 2010	5	3	15	R	The budget strategy projection includes 'targets' for work streams to close the funding gap which now includes the 2020 Vision savings and a target for the new MD of Place & Economic Development. In addition there is a further target from the Accommodation Strategy.	Ongoing	Chief Finance Officer	26 January 2011
1.01	If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the Council's Medium Term Financial Strategy.	Cabinet	October 2015	3	3	9	Reduce	In preparing the budget for 2016/17 and in ongoing budget monitoring, consideration will be given to the use of fortuitous windfalls and potential future under spends with a view of strengthening reserves whenever possible.	June 2016	Chief Finance Officer	
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of	Chief Finance Officer	14 <sup>th</sup> September 2012	4	2	8	Accept &	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates	Ongoing	Paul Jones	

	major business and the constrained ability to grow the business rates in the town then the budget gap may increase.						Monitor	<p>revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p> <p>The MD of Place &amp; Economic Development is tasked with delivering against a £500k target through economic growth by 2019/20.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>		
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	Chief Finance Officer	15 December 2010	3	3	9	R	<p>Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. A reserve is in place to manage to potential impact of the temporary closure of North Place car park.</p>	Ongoing	Paul Jones	

1.04	If when developing a longer term strategy to meet the MTFS, the Council does not make the public aware of its financial position and clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.	Director of Resources	15 December 2010	3	3	9	R	As part of the delivery of the BtG / commissioning programmes a clear communication strategy is in place. In adopting a commissioning culture the council is basing decisions on customer outcomes which should address satisfaction levels.	Ongoing	Communications team to support the BTG programme	
1.05	If there is a reliance on shared services delivering savings and these savings do not materialise or shared service projects do not proceed as anticipated then other savings will need to be found to meet the MTFS projections.	Deputy Chief Executive	15 December 2010	3	3	9	R	All shared services initiatives adopt sound project management guidelines with clear business case and risk logs to be developed. Savings / Benefit realisation plans are reviewed.	Ongoing	Paul Jones	
1.06	If the Council does not carefully manage the commissioning of services then it may not have the flexibility to make additional savings in the MTFS and a greater burden of savings may fall on the retained organisation	Deputy Chief Executive	15 December 2010	3	3	9	R	Contracts, SLAs and other shared service agreements will need to be drafted and negotiated to ensure that there is sufficient flexibility with regards to budget requirements	Ongoing	Paul Jones	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be	Chief Finance Officer	13 December 2012	4	3	12	R	Work with GOSS and county wide CFO's to monitor changes to local government financing regime including post 2015	Ongoing	Paul Jones	

	incorrect, then there is likely to be increased volatility around future funding streams.							election changes and adjust future budgets for any significant variances.			
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## NET GENERAL FUND BUDGET 2016/17

<u>GROUP</u>	2015/16 ORIGINAL £	2016/17 ORIGINAL £
<b>Projected cost of 'standstill' level of service</b>		
Strategic Directors	1,505,550	1,593,400
Environment & Regulatory Services	2,810,920	3,231,195
Deputy Chief Executives	4,286,170	4,280,270
Corporate Resources	6,536,845	4,844,145
Wellbeing & Culture	1,440,200	1,366,200
Programme Maintenance		600,000
Bad debt provision	40,000	40,000
	<b>16,619,685</b>	<b>15,955,210</b>
Capital Charges	(1,736,900)	(638,100)
Interest and Investment Income	322,300	407,500
Use of balances and reserves	(91,200)	(217,536)
Proposed Growth non-recurring - Appendix 4		85,000
Savings / Additional income identified - Appendix 5		(1,437,800)
Use of Budget Strategy Support reserve		(395,519)
<b>NET BUDGET</b>	<b>15,113,885</b>	<b>13,758,755</b>
<b>Deduct:</b>		
Revenue Support Grant	(2,110,549)	(1,779,000)
National Non-Domestic Rate	(2,507,443)	(2,494,885)
National Non-Domestic Rates - S31 Grants	(753,259)	(480,433)
National Non-Domestic Rate - 2013/14 surplus	(187,360)	0
National Non-Domestic Rate - 2014/15 surplus / deficit	(322,281)	251,963
New Homes Bonus	(1,605,500)	(1,407,500)
Specific Grant in lieu of council tax freeze 2015/16	(81,700)	0
Less: Grant allocated to Parishes (council tax support)	10,269	10,269
Collection Fund Contribution	(111,100)	(150,000)
	<b>(7,668,923)</b>	<b>(6,049,586)</b>
<b>NET SPEND FUNDED BY TAX</b>	<b>7,444,962</b>	<b>7,709,169</b>
<b>Council Tax income assuming increase of 1.99 %</b>	<b>7,444,962</b>	<b>7,709,169</b>
Band 'D' Tax	£187.12	£190.84
Increase per annum		£3.72
Increase per week		£0.07
% Rise		1.99%
Gross Collectable Tax Base	40,290.74	40,906.50
Collection Rate %	98.75%	98.75%
Net tax base	39,787.10	40,395.20

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PROPOSALS FOR GROWTH

APPENDIX 3

Ref	Division	Project Name	Description	Revenue Costs				Capital Costs
				2016/17	2017/18	2018/19	2019/20	2016/17
				£	£	£	£	£
<b>SUPPORTED GROWTH</b>								
1	Regulatory & Environmental Services	Joint Core Strategy	Additional one-off funding required to complete examination process and implement Community Infrastructure Levy (CIL), as recommended by Cabinet on 14th December 2015.	85,000	-	-	-	-
2	Regulatory & Environmental Services	Development Control & Planning Policy	One-off additional resource required in 2017/18 to fund staffing required to deliver planning resource requirements.	-	13,500	-	-	-
				<b>85,000</b>	<b>13,500</b>	-	-	-
<b>SUPPORTED GROWTH (FUNDED FROM NEW HOMES BONUS)</b>								
3	Regulatory & Environmental Services	Empty Homes Officer	Invest to Save Proposal: Additional funding to extend post to 31st March 2017.	12,500	-	-	-	-
4	Commissioning	Community Pride	Community Pride 'bidding' budget for allocation in 2016/17	50,000				
				<b>62,500</b>	-	-	-	-
<b>SUPPORTED ONE OFF GROWTH (FUNDED FROM GENERAL BALANCES)</b>								
5	Regulatory & Environmental Services	Joint Core Strategy	Additional one-off contingency identified to complete examination process and implement Community Infrastructure Levy (CIL), as recommended by Cabinet on 14th December 2015.	50,000	-	-	-	-
				<b>50,000</b>	-	-	-	-
<b>SUPPORTED GROWTH (FUNDED FROM EXTERNAL SOURCES)</b>								
6	Regulatory & Environmental Services	Community Infrastructure Levy (CIL)	Potential funding for three-way share of post to implement Community Infrastructure Levy (CIL) - will look to source from alternative funding pots prior to drawing on this funding.	20,000	-	-	-	-
7	Regulatory & Environmental Services	Business Improvement District (BID)	Additional one-off funding required to complete establishment of BID.	9,900	-	-	-	-
				<b>29,900</b>	-	-	-	-

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<b>BRIDGING THE GAP STRATEGY</b>					
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
<b>Total Current MTFS Funding Deficit</b>	<b>1,833,319</b>	<b>994,614</b>	<b>569,657</b>	<b>502,248</b>	<b>3,899,838</b>
<b>Service Reviews &amp; 'Systems' Thinking</b>					
REST		157,500			157,500
<b>Shared Services</b>					
2020 Vision - Shared Services	150,900	224,100	124,000	82,000	581,000
2020 Vision - Teckal Company				227,000	227,000
Additional waste target from new joiners	29,000		40,000		69,000
Efficiency gain on procurement - GOSS re-tendering of banking arrangements	10,000				10,000
<b>Commissioning</b>					
L&C Review - trust savings	231,500	150,500	43,000		425,000
Central Depot Bulking Facility	46,000				46,000
Waste and Recycling Services				50,000	50,000
<b>Income</b>					
Additional income target through economic growth - role of MD Place and Economic Development				500,000	500,000
Business Rates additional target through pooling			50,000		50,000
North Place development income		350,000			350,000
Advertising & Sponsorship contract	63,100				63,100
<b>Asset Management</b>					
Rationalisation of asset portfolio & Review of Investment Property	10,000	20,000			30,000
Vehicle Operating Lease - reduction to base budget	97,300				97,300
Accommodation Strategy	100,000			100,000	200,000
<b>Other</b>					
Use of NHB to support Base Budget	700,000	250,000	100,000		1,050,000
<b>Total Identified Savings/Income</b>	<b>1,437,800</b>	<b>1,152,100</b>	<b>357,000</b>	<b>959,000</b>	<b>3,905,900</b>
<b>Shortfall / (Surplus) against MTFS Funding Gap</b>	<b>395,519</b>	<b>(157,486)</b>	<b>212,657</b>	<b>(456,752)</b>	<b>(6,062)</b>

NB: traffic lights denote risk associated with delivery

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	<u>Purpose of Reserve</u>	<u>31/3/15</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>	<u>31/3/16</u>	<u>2016/17</u>	<u>Proposals</u>	<u>2015/16</u>	<u>31/3/17</u>
			<u>Movement</u>	<u>Reserve</u>	<u>Movement</u>		<u>Movement</u>	<u>to Support</u>	<u>Movement</u>	
		£	Revenue	Re-alignment	Capital	£	Revenue	2016/17 Budget	Capital	£
			£	£	£		£	£	£	
<b><u>EARMARKED RESERVES</u></b>										
<b><u>Other</u></b>										
RES002	Pension Reserve	To fund future pension liability	-177,246			-177,246				-177,246
RES003	Economic Development Reserve	To fund future economic studies	-4,200			-4,200				-4,200
RES005	Keep Cheltenham Tidy Reserve	Keep Cheltenham Tidy campaign - scheme contributions	-626			-626				-626
RES006	Cultural Development Reserve	To fund future arts facilities/activity	-22,361			-22,361				-22,361
RES008	House Survey Reserve	To fund cyclical housing stock condition surveys	-121,525	-7,500		-129,025	-7,500			-136,525
RES009	Twinning Reserve	Twinning towns civic visits to Cheltenham	-4,279			-4,279				-4,279
RES010	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	-104,227	50,000		-54,227	50,000			-4,227
RES012	Pump Room Insurance Reserve	Insurance reserve for stolen jewellery / damaged collections	-13,735		13,735	0				0
RES013	TIC Shop Reserve	Accumulated profits held for TIC shop improvements	-29		29	0				0
RES014	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	-79,371		-13,735	-93,106				-93,106
RES015	Vehicle Leasing Equalisation Reserve	Purchase of vehicles and equipment	0			0				0
RES016	Joint Core Strategy Reserve	To fund Joint Core Strategy	-68,780			-68,780				-68,780
RES018	Civic Pride Reserve	To pump prime civic pride initiative / match funding	-492,137	105,100		-105,100	105,100			0
RES019	Land Charges Reserve	Cushion impact of fluctuating activity levels	0			0				0
RES020	Ubcio Reserve	Replacement fund	-170,000		100,000	-70,000				-70,000
RES021	Cheltenham Leisure & Culture Trust	To cover unforeseen deficits in operations within new trust	-270,000		70,000	-200,000				-200,000
RES022	Homelessness Reserve	To cover future homelessness prevention costs	-50,000	8,900		-41,100	8,900			-32,200
RES023	Transport Green Initiatives Reserve	To fund Transport Green Initiative Schemes	-34,600			-34,600				-34,600
RES024	New Initiatives reserve	To fund 2020 Vision transformation programme	0	-400,000		-400,000	-200,000			-600,000
RES025	Budget Strategy (Support) Reserve	To support budget strategy	0		-429,229	-429,229	395,519			-33,710
			<b>-1,613,117</b>			<b>-1,833,880</b>				<b>-1,481,861</b>
<b><u>Repairs &amp; Renewals Reserves</u></b>										
RES201	Commuted Maintenance Reserve	Developer contributions to fund maintenance	-107,629	39,000		-68,629	39,000			-29,629
RES202	Highways Insurance Reserve	County highways - insurance excesses	-15,000		15,000	0				0
RES203	Revs & Benefits IT Reserve	Replacement fund to cover software releases	-30,000		30,000	0				0
RES204	I.T. Repairs & Renewals Reserve	Replacement fund	-40,901	35,665		-5,236	5,236			0
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	-1,032,142	296,000		-676,442	0			-676,442
RES206	Delta Place Repairs & Renewals Reserve	Delta Place maintenance fund	0			0	-100,000			-100,000
			<b>-1,225,673</b>			<b>-750,308</b>				<b>-806,072</b>
<b><u>Equalisation Reserves</u></b>										
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	-77,900	77,900		0				0
RES102	Planning Appeals Equalisation	Funding for one off appeals cost in excess of revenue budget	-152,932	-40,000		-192,932				-192,932
RES103	Licensing Fees Equalisation	Past income surpluses to cushion impact of revised legislation	-11,155			-11,155				-11,155
RES104	Interest Equalisation	To cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses	-174,012			-174,012				-174,012
RES105	Local Plan Equalisation	Fund cyclical cost of local plan inquiry	-7,230	-100,000		-107,230				-107,230
RES106	Elections Equalisation	Fund cyclical cost of local elections	-92,100			-92,100				-92,100
RES107	Car Parking Equalisation	To fund fluctuations in income from closure of car parks	-350,000	335,800	14,200	0				0
RES108	Business Rates Retention Equalisation	To fund fluctuations in income from retained business rates	-140,608	-397,300		-537,908	537,300			-608
			<b>-1,005,936</b>			<b>-1,115,336</b>				<b>-578,036</b>

	<u>Purpose of Reserve</u>	<u>31/3/15</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>	<u>31/3/16</u>	<u>2016/17</u>	<u>Proposals</u>	<u>2015/16</u>	<u>31/3/17</u>	
		£	<u>Movement</u>	<u>Reserve</u>	<u>Movement</u>	£	<u>Movement</u>	<u>to Support</u>	<u>Movement</u>	£	
			Revenue	Re-alignment	Capital		Revenue	2016/17 Budget	Capital		
		£	£	£	£	£	£	£	£	£	
<b><u>Reserves for commitments</u></b>											
RES301	Carry Forwards Reserve	Approved budget carry forwards	-674,848	577,850		-96,998				-96,998	
<b><u>CAPITAL</u></b>											
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	-791,061	-220,500	862,000	-149,561	-220,500		246,000	-124,061	
<b>TOTAL EARMARKED RESERVES</b>			<b>-5,310,635</b>			<b>-3,946,083</b>				<b>-3,087,028</b>	
<b><u>GENERAL FUND BALANCE</u></b>											
B8000 - B8240	General Balance - RR	General balance	-1,599,226	-9,365	200,000	-1,408,591		50,000		-1,358,591	
			<b>-1,599,226</b>			<b>-1,408,591</b>				<b>-1,358,591</b>	
<b>TOTAL GENERAL FUND RESERVES AND BALANCES</b>			<b>-6,909,860.98</b>	<b>351,550</b>	<b>0</b>	<b>1,203,637</b>	<b>-5,354,674</b>	<b>613,055</b>	<b>50,000</b>	<b>246,000</b>	<b>-4,445,619</b>
B8700 - B8716	General Fund Capital Receipts		<b>-11,422,603</b>		<b>6,960,100</b>	<b>-4,462,503</b>			<b>130,000</b>	<b>-4,332,503</b>	

Code	Fund	Scheme	Scheme Description	Budget 2015/16	Revised Budget 2015/16	Budget 2016/17	Budget 2017/18
				£	£	£	£
		<b>RESOURCES</b>					
		<b>Property Services</b>					
CAP001	PPMR	Cremators	New cremators		59,700		
CAP401	PB/GCR	Town Centre acquisitions	Acquisition of Shopfitters site		432,300		
CAP601-4	C/PB/PPMR	Crematorium Development Scheme	Construction of new crematory building, car parks, exit roads and replacement cremators.		500,000	6,984,500	
		Town Centre acquisitions	Acquisition of Delta Place		13,750,000		
		<b>Financial Services</b>					
CAP010	C	GO ERP	Development of ERP system within the GO Partnership		14,700		
		<b>ICT</b>					
CAP026	C	IT Infrastructure	5 year ICT infrastructure strategy	275,600	746,400		
CAP026	C	IT Infrastructure	Capitalisation of UNIFORM	104,000	0		
		<b>WELLBEING &amp; CULTURE</b>					
		<b>Parks &amp; Gardens</b>					
CAP101	S106	S.106 Play area refurbishment	Developer Contributions	50,000	65,900	50,000	50,000
CAP102	GCR	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards	80,000	95,100	80,000	80,000
CAP125	GCR	Pittville Park play area	Investment in the play area		300,000		
CAP501	GCR	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.		591,400		
		<b>Cultural Services</b>					
CAP126	GCR	Town Hall redevelopment scheme	Preliminary work, subject to Council approving a detailed scheme and a business case		400,000		
CAP124	GCR	Town Hall Chairs	Replacement of Town Hall chairs on a like for like basis		80,000		
		<b>Recreation</b>					
CAP112	C	Carbon reduction scheme	Replacement of Pool Hall lighting to LEDs at Leisure@		30,000		
		<b>BUILT ENVIRONMENT</b>					
		<b>Integrated Transport</b>					
CAP152	CPR	Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.		65,800		
CAP152	S106	Civic Pride	Public Art - Promenade		22,000		
CAP153	CPR	Civic Pride	Remodelling of Sherborne Place Car Park into a Green car park for short stay bus use.		100,000		
CAP154	CPR	Civic Pride	Scheme for St.Mary's churchyard		45,300		
CAP154	S106	Civic Pride	Public Art - St Mary's churchyard		20,000		
CAP155	S106	Pedestrian Wayfinding	GCC Pedestrian Wayfinding		27,500		
CAP156	S106	Hatherley Art Project	Public Art - Hatherley		7,800		
CAP204	CPR	Civic Pride	Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration.		134,200		

Code	Fund	Scheme	Scheme Description	Budget 2015/16	Revised Budget 2015/16	Budget 2016/17	Budget 2017/18
				£	£	£	£
CAP201	GCR	CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime	50,000	265,000	50,000	50,000
CAP202	GCR	Car park management technology	The upgrade of the car park management technology at selected sites such as Regent Arcade is essential as the existing management systems and hardware have now reached the end of their life cycle.		37,100		
CAP205	GCR	Public Realm Improvements	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	317,300	561,700		
CAP206	GCR	Car Park Investment	New car park machines to allow additional functionality to be introduced for the benefit of customers		250,000		
<b>Housing</b>							
CAP221	SCG/GCR	Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.	600,000	600,000	600,000	600,000
CAP222	GCR	Adaptation Support Grant	Used mostly where essential repairs (health and safety) are identified to enable the DFG work to proceed (e.g. electrical works).	26,000	26,000	26,000	26,000
CAP223	PSDH	Health & Safety Grant / Loans	A new form of assistance available under the council's Housing Renewal Policy 2003-06		275,200		
	PSDH	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06				
	PSDH	Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996				
CAP224	LAA / C	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems		78,400		
CAP225	PB/HCR	Housing Enabling - St Paul's Phase 2	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation		2,312,800		
CAP227	C/S	Housing Enabling - Garage Sites	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes				
CAP228	S106	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation		500,000	500,000	
<b>OPERATIONS</b>							
CAP301	GCR	Vehicles and recycling caddies	Replacement vehicles and recycling equipment		61,800		
CAP301	PB/GCR	10 Year vehicle Replacement	CBC & Ubico vehicle & plant replacement programme	806,000	1,434,000	905,000	143,000
<b>BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:</b>							
	C	Town Hall redevelopment (£1.8m)	Subject to Council approving a detailed scheme and a business case				
	C	Public Realm improvements (£2m)	Pending the completion of the Cheltenham Transport Plan process				
CAP302	GCR	Material Bulking Plant	Maximum Project Budget for acquisition cost of creating the materials' bulking plant at the central Depot, required to deliver annual revenue savings of £92k		390,000		
CAP503	GCR	Bus Station	Demolition of existing concrete bus shelter and waiting room and provision of services to supply new café facility		50,000		



Code	Fund	Scheme	Scheme Description	Budget 2015/16	Revised Budget 2015/16	Budget 2016/17	Budget 2017/18
				£	£	£	£
		<b><u>CAPITAL SCHEMES - RECLASSIFIED AS REVENUE</u></b>					
CAP203	C	Re-jointing High Street/Promenade pedestrianised area	Re-jointing works required to improve safety and appearance of the core commercial area		7,500		
<b>TOTAL CAPITAL PROGRAMME</b>				<b>2,308,900</b>	<b>24,337,600</b>	<b>9,195,500</b>	<b>949,000</b>
<b>Funded by:</b>							
G Government Grants							
SCG Specified Capital Grant (DFG)				306,000	383,000	380,000	380,000
LAA LAA Performance Reward Grant					78,400		
P Partnership Funding					0		
PSDH Private Sector Decent Homes Grant					275,200		
HRA Housing Revenue Account Contribution				50,000	0		
PPMR Property Planned Maintenance Reserve					59,700	474,500	
S106 Developer Contributions				50,000	643,200	550,000	50,000
D Capital Debtor							
HCR HRA Capital Receipts							
GCR GF Capital Receipts				447,300	7,460,100	630,000	130,000
CPR Civic Pride Reserve					281,900		
PB Prudential Borrowing				806,000	14,294,100	6,915,000	143,000
C GF Capital Reserve				649,600	862,000	246,000	246,000
				<b>2,308,900</b>	<b>24,337,600</b>	<b>9,195,500</b>	<b>949,000</b>

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## 2016/17 Programme Maintenance - Original Budgets

Property Name	Description	Original £
All Properties (H&S)	Fire risk assessment works arising from reports	20,000
	Consequential works arising from legionella risk assessments/ inspections	10,000
	Consequential works arising from asbestos risk assessments/ inspections	10,000
	Installation of safety filming to doors and windows as regulation 14 H&SW act	6,000
	Fixed Wiring inspections/ EIC Certification	15,000
	Contingency fund for compliance/ H&S remedial work	10,000
Pittville Park WC	Remedial repairs - damp issues to internal walls/ re-tiling	6,000
Pittville Pump Room	FRA consequential works - Upgrade of internal fire doors	30,000
	Remedial repairs to stonework (re pointing etc)	5,000
	Replace CCTV camera to rear car park to capture whole area	1,200
	Annual sand/ re-lacquer/ re-line to Ballroom, Spa Room & Bar timber floors	2,800
Pittville Recreation Centre	Tiling repairs & alterations to reduce leaks into basement.	10,000
	Pool hall balcony - Replace 1.2x26m section of vinyl flooring (repair)	4,000
	Reinstate direction arrows, stop lines etc / pot hole repairs	5,000
	Multi Activity Rm - Upgrade defective lighting to LED's	1,200
	Pool hall - Phased replacement of seating (trial / phase 1)	6,000
	Remedial repairs to structural concrete frame - Phase 1	10,000
	Remove damaged Artex (ACM) within Basement (under pool hall seating)	5,000
	Annual sand/ re-lacquer/ re-line to Sports Hall, Multi Activity Rm, Dance Studio & Squash Crts timber floors	13,500
Prince of Wales Stadium	Annual maintenance of track high lighting	6,000
	Specialist cyclical cleaning/ maintenance/ re-lining of running track surface	4,000
	Remedial works identified on CCTV survey	5,000
	Reline rainwater gutters	3,000
Royal Well Bus Station	Bus Station Refurbishment Project - Additional Work	8,000
Town Hall	Replace defective slates and service roof	5,000
	Work to cellar basement to prevent leaking	3,500
	Ongoing stone repairs	10,000
	Fire compartmentation to underside of Ball Room floor in basement	70,000
	Spot repairs to slate roof make good to asphalt over front porte cochere	20,000
	Remedial repairs to drainage provision sump pumps and drain	7,000
	Replacement of office roof coverings	20,000
	Refurbishment of office roof lights	10,000
	Annual sand/ re-lacquer/ re-wax to Main Hall, Pillar Room & Buffet timber floors	6,000
Christmas Illuminations	General remedial repairs to displays	5,000
All Properties (Car Parks)	Provision for minor repairs and line painting to Operational Car Parks	10,000
Arle Nursery	Irrigation pump Variable speed drive upgrade - Reduced reactive failures & energy usages	6,000
	Phased replacement of UV damaged / brittle pipework	3,000
	Fixed Wiring inspections/ EIC Certification	1,000
Art Gallery & Museum	Energy reduction schemes (as yet undefined)	10,000
	Work to rear wall joint between new and old building	6,000
	Safe access to Roof system	2,000
	Drain repair to rear downpipe joint work with GCC	5,000
Municipal Offices	Roof access protection	5,000
	Replacement of door access control system throughout building	25,000
	FRA consequential works - Upgrade of fire alarm system	9,000
	FRA consequential works - Upgrade of internal fire doors	20,000
	Remedial repairs to coping stones	5,000
	Upgrade CCTV provision - additional cameras outside of chamber	1,300
	Replacement of floor coverings in basement gents toilet	2,000
Running remedial repairs and repainting to sash windows	5,000	
Central Depot	General remedial repairs to any element	8,000
Cheltenham Crematorium	Cremator plant software upgrade	4,500
	Provision of service and maintenance works to cremator plant	50,000
Town Centre East Car Park	Replacement of windows & screens to all elevations	15,000
	Professional deep clean	4,500
Berkeley Mews	Redecorate High St Elevation	9,000
	Replacement of window frames to rear elevation	6,000
Regent Arcade Car Park	Professional deep clean	4,500
Miscellaneous Property	Rebuild retaining wall - Windyridge Rd/ Thomond Rd underpass	4,000
Montpellier WC	Remedial repairs to underground drainage (as identified on CCTV survey)	10,000
QE11 Playing Field	Professional fees for investigative work on QE11 contaminated land containment	1,500
	Removal of leachate contaminates from catch-pit and disposal	1,500
Priors Farm Pavilion	Re-application of liquid polymer covering to external balcony floor	3,000
Kingham Line Footbridge	Structural surveys and immediate remedial repairs	4,000
Pittville Park	Remedial repairs to bridge ornamental stonework and features	6,000
<b>Total Programme Maintenance (agreed by AMWG)</b>		<b>600,000</b>

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## Cheltenham Borough Council

**Cabinet – 15 December 2015**

### **Housing Revenue Account - Revised Forecast 2015/16 and Interim Budget Proposals 2016/17 for Consultation**

<b>Accountable member</b>	Cabinet Member for Finance, John Rawson
<b>Accountable officer</b>	Section 151 Officer, Paul Jones
<b>Ward(s) affected</b>	All
<b>Key Decision</b>	Yes
<b>Executive summary</b>	This report summarises the Housing Revenue Account (HRA) revised forecast for 2015/16 and the Cabinet’s interim budget proposals for 2016/17 for consultation.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Note the revised HRA forecast for 2015/16.</li> <li>2. Approve the interim HRA budget proposals for 2016/17 (Appendix 2) for consultation including a proposed rent decrease of 1% and changes to other rents and charges as detailed at Appendix 5.</li> <li>3. Approve the proposed HRA capital programme for 2016/17 as shown at Appendix 3.</li> <li>4. Delegate authority to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.</li> <li>5. Seek consultation responses by 29 January 2016.</li> </ol>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail: <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 775154</b></p>
<b>Legal implications</b>	<p>As this report proposes an interim budget for consultation purposes, there are no specific legal implications at this stage.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail: <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a></b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>No direct HR implications arising from this report.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264355</b></p>

<b>Key risks</b>	As outlined in Appendix 1
<b>Corporate and community plan Implications</b>	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
<b>Environmental and climate change implications</b>	The draft budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings

## 1. Introduction

The Council's Constitution requires that the Cabinet prepare an interim budget for consultation before it makes recommendations to full Council in February 2016. The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation period, and its report to Council in February 2016 should reflect the Cabinet's response to such comments.

## 2. Background - Self-Financing and Changes to Social Rent Policy

- 2.1 In 2002 the Government introduced a rent convergence policy under which, over a ten year period, rents in social housing (local authority and housing association owned stock) were to be brought into alignment.
- 2.2 A rent formula was established with actual rents moving towards a national formula rent which took account of values of properties and local earnings relative to national earnings. A 'bedroom weighting' factor was also applied to try and ensure the resulting rents better reflected the perceived value of the properties being occupied. These formula rents were increased each year by the Retail Prices Index (RPI) + 0.5%.
- 2.3 Elected in 2010, the Coalition Government initially continued this rent setting process with a revised target convergence date for local authorities of 2015-16, subject to a maximum annual rent rise for an individual tenant of RPI + 0.5% + £2 per week. This policy formed a key assumption in the self-financing settlement in April 2012 and was used in the 30 year HRA Business Plan approved by Council in February 2012. This anticipated significant additional resources arising from the implementation of self-financing. Council approved a strategy to use these resources to finance a programme of new build, further improvements to existing stock and additional support services for tenants.
- 2.4 As part of the 2013 Spending Round the Government then announced that from 2015-16 social rents would rise by Consumer Prices Index plus 1 per cent each year for 10 years and that the policy of converging council and housing association rents was to be cut short. Following consultation the Government confirmed this policy change in May 2014. The financial projections in the HRA business plan were updated accordingly.
- 2.5 On 8 July 2015 (Summer Budget 2015) the Chancellor announced that rents in social housing would instead be reduced by 1% a year for four years resulting in a Government estimated 12% reduction in average rents by 2020-21. Nationally this measure is forecast to save the Exchequer £1.4bn by 2020-21, primarily in reduced Housing Benefit expenditure. Around 1.2m tenants not in receipt of Housing Benefit in the social rented sector are expected to benefit by up to £700 per year (current prices).
- 2.6 The scale of the impact of this proposal necessitates a fundamental review of the 30 year HRA Business Plan. The financial projections for 2016/17 to 2018/19 detailed in this report represent the start of a process which will produce a new long term business plan for Council approval in July 2016.

### **3. Impact of the Changes in Housing and Welfare Policy**

3.1 The following significant changes in Government policy are being enabled through the Welfare Reform Bill 2015 and the Housing & Planning Bill 2015, both of which are currently passing through Parliament. The draft legislation sets the legal framework for the policy changes but much of the detail will follow in regulations to be published by the Secretary of State.

#### **3.2 Rent Reduction**

3.2.1 The current average rent for Council tenants is £82.38 per week. Prior to the budget the business plan assumed the average rent in 2019-20 would be £91.40 per week based on the CPI + 1% formula. It is now forecast that this will reduce to £79.16 per week, a reduction of 13.4% over the four year period when compared to the original forecast.

3.2.2 This will result in an estimated loss of rental income of £6.691m in the period to 31st March 2020. On the assumption that the Government will revert back to rent increases of CPI + 1% in April 2020, which is by no means certain, the cumulative loss of income over 30 years is estimated at £111m. This will produce a very significant reduction in the previously anticipated surpluses that were forecast in the long term HRA business plan.

#### **3.3 Welfare Reform**

There were also a number of changes to Welfare Benefits in the Summer Budget. Whilst a summary of these are noted below details of how these are to be implemented have not yet been issued by the Government and therefore the impact cannot be accurately forecasted:-

- The cap on benefits will be cut from £26,000 to £20,000 from April 2016.
- Working-age benefits will be frozen for four years, including tax credits and housing benefit; maternity payments will be excluded from the freeze.
- Working benefits will be removed from those who are not disabled and have no children, and will be withdrawn at a faster pace as claimants' earnings rise.
- Tax credit and universal credit support will be limited to the first two children from April 2017.
- Housing Benefit will be removed from young people aged 18-21, with some exceptions, from April 2017.
- Housing benefit will also be affected by removing the family premium for new children from April 2016.

These changes are in addition to the current roll out of Universal Credit.

CBH will need to monitor the impact of these changes as they are implemented with non-payment of rent being the ultimate risk to the HRA.

#### **3.4 Extension of Right to Buy**

3.4.1 The Government have committed to extending Right to Buy to tenants in Housing Associations, increasing discount rates, and decreasing qualifying periods. The Government intend to pay for the extension to Housing Association tenants, in part, by the sale of local authorities' most valuable (vacant) housing stock. The Government has said that the properties sold will be replaced on a one-for one basis.

3.4.2 Commentators questioned whether the rate of sales of vacant council stock would match the take-up rate of the extended RTB. It now appears that the Government is intending to address this issue by introducing a levy on local authorities, based on sales forecasts rather than actual sales. However there would still be a legal duty to consider sales.

3.4.3 The majority of HRA stock (97%) is valued below the regional 'high value cap' estimates published in the Conservative manifesto prior to the General Election. In total, only 122 units of stock would potentially be affected. However the properties affected are of two particular types – 2 bed houses in a high value area of the town and 50% (90 units) of 1 bed bungalows owned by the Council. The

loss of these units would remove the limited social housing from one part of the town and significantly reduce the availability of single storey accommodation for the disabled and elderly.

3.3.4 The risk is that sales will be wholly random as to when and which properties become void and will have no regard for local housing need. This will produce further pepper-potting within Council owned housing which will make the much needed regeneration of social housing stock more complex and more costly.

Further detail is required from Government before we can make an estimate of this impact in the financial projections.

### 3.5 Pay to Stay

3.5.1 Following a consultation exercise in 2012 the Coalition Government gave social landlords in England the discretion to charge market or near market rents to tenants with an income of £60,000 or more a year. The scheme is known as 'pay to stay.' The challenges for local authorities (including Cheltenham) in implementing this scheme are:-

- administration - gathering information on and monitoring tenants' incomes;
- affordability – affected tenants could face substantial rent increases;
- the potential work disincentive effect; and
- residualisation of the housing stock as higher earners are incentivised to move out.

As part of the Summer Budget 2015 the Chancellor announced that the discretionary 'pay to stay' scheme would be made compulsory (in England) and that new, lower income thresholds would be introduced. These thresholds are expected to be £40,000 in London and £30,000 elsewhere. Local authorities will be expected to repay the additional rental income to the Exchequer, thus 'contributing to deficit reduction', while housing associations will be able to use the additional income to reinvest in new housing.

3.5.3 The move to a mandatory 'pay to stay' scheme will require primary legislation; the Government has recently published a consultation document seeking views on the implementation of the scheme which will commence in April 2017.

## 4. 2015/16 Revised Forecast

4.1 The forecast at Appendix 2 shows an increase in the surplus for the year of £1,024,500 compared to the original estimate. This increase, together with an increase of £1,297,300 in the balance brought forward from 2014/15, will give revenue reserves of £5,856,900 at 31st March 2016.

4.2 Significant variations within the 2015/16 revised forecast (>£30,000) have been identified in budget monitoring reports and are summarised below:-

Budget Heading	Change in resources
	£'000
Repairs & Maintenance – decrease in forecast expenditure following reduced demand in year to date	175
Bad Debt Provision – lower arrears than anticipated reflect delay in implementation of welfare reform and allocation of additional resources to mitigate impact	50
Revenue contributions to fund capital programme – changes to programme and availability of funding options have reduced use of revenue resources	754
Other variations to expenditure	21
Other variations to income	25
<b>Net increase in Surplus for Year</b>	<b>1,025</b>



**5. Overview of HRA Business Plan**

5.1 The recent changes in Government policy (in particular regarding rent reduction) have set all stock holding local authorities and private social landlords a significant challenge to produce a revised business plan that maintains service levels and retains viability.

5.2 Whilst CBH remain confident that the HRA can still deliver on the three key areas for investment within the existing Business Plan (further investment in new build, improvements to existing housing stock, and further investment in services), the timing, extent and scale of each will be significantly affected.

5.3 CBH will continue to review details of the changes to housing and welfare policy as they are released by the Government to determine whether further actions are required. The initial review of the HRA Business Plan has been guided by the following minimum targets:-

- Maintaining the recommended contingent balance of £1.5m in HRA reserves;
- Allocating sufficient resources to maintain the decent homes standard throughout the stock;
- Delivering the windows and doors improvement programme at a pace consistent with value for money;
- Ensuring that resources continue to be available to deliver the existing new build programme (i.e. those schemes currently being progressed and anticipated to complete by March 2018), but still subject to individual scheme evaluation;
- Ensuring the continuation of key service improvements initiated by Investment Pot 1;
- Seeking to protect existing levels of service and mitigating the impact on tenants and leaseholders;
- Retaining long term (30 years) viability. This will rely heavily on the Government’s future social rent policy. We only have certainty until March 2020 – thereafter the link to CPI could be restored but there must be significant doubt as to whether rents will be allowed to increase above the prevailing rate of inflation.

5.4 The following work has been carried out in order to address the Budget impacts and to enable CBH to revise the financial projections in the HRA business plan.

- The HRA capital programme has been remodelled with particular emphasis on the next ten years.
- Potential impacts of the other changes in the July Budget have been identified with particular focus on benefit and tax credit changes. Further work is required to identify the actions needed by CBH to minimise these impacts for tenants and leaseholders.
- The key service improvements from Investment Pot 1 which need to be maintained have been identified and included in the base budget.
- CBH has revisited its goals for the next four years to ensure high quality core services will be maintained.
- CBH’s medium term financial plan has been revised, identifying savings targets which will have to be achieved over the next four years.
- Long term viability has been reviewed using a range of assumptions for future rent increases, from CPI -1% to CPI +1% per annum.

5.5 The HRA budget proposals for 2016/17 form part of a four year plan put forward by CBH to mitigate the impact of rent reductions in the period to 31st March 2020 when the next review of the Government’s social rent policy is anticipated. A summary of the plan is shown below:-

Category	£'000	£'000
Efficiency savings in CBH management fee	1,465	
Service Improvements retained from Investment Pot 1	-796	
<b>Net reduction in management fee</b>		<b>669</b>

Efficiency savings in CBH maintenance service		1,026
Re-alignment of the Capital Programme		2,707
Use of HRA Reserves		2,208
Reduction in the bad debt provision (arising from rent reduction)		128
Reduction in interest receivable (lower reserves)		-47
<b>Total Savings</b>		<b>6,691</b>

5.6 Initial modelling of the potential impacts of future social rent policy post 2020 suggests:-

- Reversion back to a policy of annual increases above CPI should deliver increasing surpluses as anticipated in the original self-financing settlement, albeit delayed by the 4 year rent reductions. Within the long term plan existing debt of £45m could still be repaid leaving unallocated reserves of some £33m at year 30.
- Projections assuming future rent increases at the level of CPI (using 2% as the long term norm) show a further reduction of £87.5m in rent income compared to the figure identified in paragraph 3.2.2 above. This would be insufficient to accrue any significant reserves or repay debt. Further cost efficiencies would be required to retain long term viability and existing debt would need to re-financed.
- An ongoing trend of rent increases below CPI would render the business plan unviable in the medium term without significant reductions to major repair expenditure and/or reduced levels of service.

## 6. 2016/17 Budget Proposal

- 6.1 The Government has confirmed proposals for social rent policy for the period April 2016 to March 2020. As detailed in paragraph 2 above rents will decrease by 1% in April 2016. The rent estimates assume a 1% void rate and 20 RTB sales in the year.
- 6.2 Estimates of service charge income currently assume no increase in grounds maintenance pending contract renewal. Charges for cleaning will rise by 2.8% whilst overall charges for power to communal areas are expected to be held at 2015/16 levels after a fixed tariff deal was agreed.
- 6.3 Following improvements to communal boilers and building insulation and the recent experience of milder winters it is proposed that fuel charges for communal gas heating will be reduced by 12.5% from April 2016.
- 6.4 The revenue impacts arising from new build expenditure have not yet been integrated into the budget but they will give a marginal benefit to resources in 2016/17.
- 6.5 Significant changes to the HRA (>£30,000) in 2016/17 as compared to the revised forecast for 2015/16 are itemised in the table below. There is a forecast surplus of £330,500 for the year which leaves revenue reserves at £6,187,400 at 31st March 2017.

<b>Budget Heading</b>	<b>Change in resources £'000</b>
Revenue contributions to fund capital programme – this increase reflects the impact of delayed expenditure in 2015/16 moving into the 2016/17 programme (see paragraph 8.1 below)	-1,247
Increase in CBH management fee (see full detail in paragraph 7.5 below)	-57
Increase in repairs and maintenance (demand adjusted from 2015/16)	-164
Increase in bad debt provision – impact of welfare reform	-50
Depreciation – inflation offset by stock loss	-70
Decrease in rents (rent reduction & stock loss)	-293
Other (net)	11
<b>Net decrease in resources</b>	<b>-1,870</b>

**7. Cheltenham Borough Homes (CBH)**

- 7.1 The draft budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2016/17, which show a breakeven position on services provided to the Council.
- 7.2 Prior to the July 2015 Budget the HRA Business Plan included forecast CBH management fees totalling £21.3m over the four years from April 2016. As part of the plan to mitigate the impact of rent reductions (see paragraph 5.5) the company is proposing to reduce this cost by £1.465m over the period to March 2020. This is after allowing for pay awards and anticipated increases in national insurance and pension costs and will be achieved through a phased approach as follows:-
1. Identify immediate vacant roles which will not be filled.
  2. Review current management and other team structures to identify savings which can be implemented over the four year period.
  3. Identify and implement efficiency savings as part of the service improvement programme already initiated by CBH. This will be achieved by streamlining business processes and improving related IT systems.

- 7.3 The three year period of service enhancements funded by the investment pot initiative ends in March 2016. In conjunction with CBC officers CBH has identified those that have achieved the greatest impact and should be absorbed into base budgets. These include:-

- Enhanced Benefit and Money Advice Service
- Additional Housing Revenues Officer
- Sheltered Hub & Activities Co-Ordinator
- Disability Hub
- Youth Café in St Pauls
- Expansion of Employment Initiatives Service
- Community Investment Grants

The total cost of these initiatives in 2016/17 is estimated at £205,000.

- 7.4 CBH draft budgets approved by their Board on 25th November 2015 show a net increase in management costs of £45,000 analysed as below:-

	<b>£'000</b>
Pay award and increase in national insurance contributions	99
Investment Pot services absorbed into base (as detailed above)	205
Planned Savings	(259)
Increase in net management costs	45

- 7.5 These additional costs are reflected in an increase in the HRA management fee of £57,000 (1%) over the current year, partially offset by a decrease of £12,000 in fees to the capital programme.
- 7.6 The overall cost of repairs and maintenance has reduced by 0.3% in comparison to the original budget for 2015/16 to £4,139,000, again as part of a four year plan to reduce costs by £1.026m in comparison to previous estimates. This will be achieved by reviewing staffing structures, leaner processes and renegotiation of supplier and sub contract rates.
- 7.7 The cost of delivering the estate cleaning contract has risen by 2.8% (£9,000) which reflects the anticipated cost of the pay award and additional national insurance contributions.

The fee submission for the main areas of activity is shown below and compared with 2015/16.

	<b>2015/16</b>	<b>2016/17</b>
	£'000	£'000
Management Fee	5,085	5,142

Management of Capital Programme	636	624
Block Cleaning Service	313	322

## 8. Capital Programme

- 8.1 The revised capital programme for 2015/16 reflects the completion of schemes carried forward from the previous year as previously reported to Cabinet and further variations identified during the year. The reduction in forecast spend primarily relates to tendering delays for the major window and door replacement programme. This is now anticipated to start on site in April 2016.
- 8.2 The detailed capital programme for 2016/17 and indicative programmes for the following two years are shown at Appendix 4. These reflect the investment requirements identified in stock condition surveys and the proposals in the updated asset management strategy.
- 8.3 The proposed funding of the capital programme, together with a statement of balances on the major repairs reserve, are shown at Appendix 3. The main sources of funding remain the major repairs reserve and contributions from the revenue account. The Government's policy to stimulate RTB has increased the availability of capital receipts. An element of those receipts, which is attributable to the debt held on each sold property, can be used for any HRA purpose and is used to finance capital expenditure on the existing stock.
- 8.4 Receipts from non RTB disposals and those retained through the one for one replacement agreement with the Government are held separately for investment in new affordable housing.
- 8.5 Appendix 4 also gives estimates of new build expenditure (approved/planned) for the period to 31st March 2019. The first new build scheme, Garage Sites 2a delivering 10 units of affordable housing, started on site in October 2015 following Council approval. A number of other schemes are being developed by CBH under the scrutiny of the Joint Programme Group and will be brought forward for individual Council approval as necessary.
- 8.6 New build schemes will be financed from a combination of funding sources namely:-

Funding Source	Estimated Available 2015/16
	£'000
Borrowing up to HRA debt cap	8,112
Right to Buy (RTB) retention receipts	1,716
Non RTB receipts from market disposals	2,331
Revenue contributions (through new build reserve)	1,903
<b>Total</b>	<b>14,062</b>

- 8.7 The annual funding plans for new build expenditure will be determined by the Section 151 Officer ensuring maximum benefit and cost efficiency.

## 9. Reserves

- 9.1 The recommended minimum revenue balance to cover contingencies is £1.5m. This figure was determined in 2012 at the start of the self-financing regime and equates to approximately £330 per unit of stock which is very much in line with the sector norm. Key risks other than significant changes to Government policy primarily relate to property damage. The stock is insured for fire damage with the Council self-insuring against other perils. The three year projections forecast a reserve balance of £3.161m at 31st March 2019.

**10. Conclusion**

10.1 The potential benefits of the self-financing settlement have been significantly eroded by the change in the Government’s social rent policy. It remains unclear whether the additional operating surpluses forecast in the previous 30 year business plan will be restored after 2020. Until there is more certainty about future rent levels it is recommended that focus should be concentrated on the medium term, ensuring that:-

- existing stock is maintained at the decent homes standard
- the improved level of tenant and leaseholder services is retained
- the Council can take advantage of opportunities to build new stock

CBH has brought forward a four year plan which will deliver these key objectives despite the significant reduction in forecast rent income.

**11. Consultation process**

11.1 The Council is proposing to consult on these budget proposals during the period to 29th January 2016. This extended period will allow CBH to respond at their Board meeting on 27th January 2016. The results from this consultation will be fed back to the Cabinet and taken into account in the formulation of the final budget proposals.

11.2 As part of the interim consultation process the Cabinet’s proposals will be included on the Council’s web site, made available at the Municipal Offices, Area Offices and publicised through the local press. All interested parties will be encouraged to respond. Consultation meetings will be held with both tenant and leaseholder representatives.

11.3 In preparing the consultation document it may be helpful to provide supplementary information, for instance relating to the main changes in the budget. It is therefore recommended that the Section 151 Officer and Cabinet Member for Finance be given delegated authority to approve any supplementary information for consultation.

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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. HRA Operating Account</li> <li>3. Major Repairs Reserve and HRA Capital Programme (summary)</li> <li>4. HRA Capital Programme (detail)</li> <li>5. HRA Rents and Charges</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. HRA 30 year Business Plan</li> <li>2. CBH Budgets and Plans 2016/17</li> </ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If CBH are unable to deliver savings to offset lower income as a consequence of 4 year rent reductions	Pat Pratley	December 2015	5	3	15	R	Implementation of savings plan will be closely monitored by CBH with periodic reports on progress being submitted to Council officers	Mar 2020	CBH through management agreement	
1.02	If there is a further change to the Government's social rent policy that reduces anticipated rent income	Pat Pratley	December 2015	4	3	12	R	Any additional loss of income will need to be mitigated by further savings	Mar 2020	CBH through management agreement	
1.03	If welfare reforms have a greater impact on tenants than anticipated and planned for, it may increase the level of debt or impact on vulnerable families	Pat Pratley	December 2012	3	4	12	R	The HRA budget includes specific resources to control rent arrears	Mar 2018	CBH through management agreement	
1.04	If the compulsory sale of high value properties depletes significant numbers and specific types of stock	Pat Pratley	December 2015	4	3	12	R	Further detail is awaited from Government on the implementation of this new initiative. It may be possible to apply for certain properties to be exempted.	Mar 2017	CBH through management agreement	
1.05	If supporting people contracts are not renewed it could impact on the tenants in sheltered accommodation	Pat Pratley	December 2012	3	3	9	R	A transitional contract has been agreed with the County Council until October 2016. An evaluation of alternative service and funding options is in progress as part of the overall review of service delivery in this area	Oct 2016	Lead Commissioner Housing	

1.06	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Pat Pratley	December 2012	3	2	6	R	Demand for social housing remains high with significant waiting list. Quality of accommodation needs to be maintained and changes in tenancy termination rates monitored	Mar 2017	CBH through management agreement	
1.07	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Pat Pratley	December 2012	4	3	12	R	Maintain robust stock condition data. Major peril to the stock is fire which is covered by appropriate insurance. HRA reserves are maintained at a level considered sufficient for uninsured stock damage	Mar 2017	CBH through management agreement	
1.08	If there is insufficient capacity to deliver the ambitious programme of building works then the programme may not be deliverable	Pat Pratley	December 2012	2	3	6	R	The HRA budget includes specific resources to address capital programme works	Mar 2017	CBH through management agreement	
1.09	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	R	New build programme has commenced on site, officers are monitoring spend against that required to retain receipts. Cabinet has approved an alternative strategy of acquiring property to eliminate potential repayment	Mar 2018	CBC/CBH via the Joint Programme Group	

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**HRA OPERATING ACCOUNT**

	2015/16		2016/17	2017/18	2018/19
	Original	Revised	Budget	Projections	
	£	£	£	£	£
<b><u>EXPENDITURE</u></b>					
General & Special Management	2,054,100	2,081,400	2,097,900	2,114,800	2,125,000
ALMO Management Fee	5,085,000	5,085,000	5,142,000	5,127,000	5,152,000
Rents, Rates, Taxes and Other Charges	79,100	60,000	60,000	60,000	60,000
Repairs & Maintenance	4,150,000	3,975,000	4,139,000	4,130,000	4,140,000
Provision for Bad Debts	200,000	150,000	200,000	280,000	325,000
Interest Payable	1,684,700	1,684,700	1,684,700	1,684,700	1,684,700
Depreciation of Dwellings	5,382,400	5,336,500	5,395,200	5,481,900	5,604,900
Depreciation of Other Assets	151,900	168,700	179,800	188,700	197,400
Debt Management Expenses	79,000	79,000	79,800	80,600	81,400
<b>TOTAL</b>	<b>18,866,200</b>	<b>18,620,300</b>	<b>18,978,400</b>	<b>19,147,700</b>	<b>19,370,400</b>
<b><u>INCOME</u></b>					
Dwelling Rents	19,206,100	19,215,200	18,922,000	18,667,600	18,432,500
Non Dwelling Rents	428,200	419,300	422,000	426,200	431,100
Charges for Services and Facilities	835,600	826,400	835,100	849,200	878,500
Supporting People Grant	90,000	93,000	90,000	90,000	90,000
Feed in Tariff from PV Installations	178,000	195,100	205,100	210,200	215,500
<b>TOTAL</b>	<b>20,737,900</b>	<b>20,749,000</b>	<b>20,474,200</b>	<b>20,243,200</b>	<b>20,047,600</b>
<b>NET INCOME FROM SERVICES</b>	<b>1,871,700</b>	<b>2,128,700</b>	<b>1,495,800</b>	<b>1,095,500</b>	<b>677,200</b>
Amortised Premiums/Discounts	10,100	10,100	7,300	-	-
Interest Receivable	48,200	62,000	74,000	65,000	50,000
<b>NET OPERATING INCOME</b>	<b>1,930,000</b>	<b>2,200,800</b>	<b>1,577,100</b>	<b>1,160,500</b>	<b>727,200</b>
<b><u>Appropriations</u></b>					
Revenue Contributions to Capital	-753,700	-	-1,246,600	-2,490,400	-2,423,700
<b>HRA Surplus/(Deficit) carried to reserves</b>	<b>1,176,300</b>	<b>2,200,800</b>	<b>330,500</b>	<b>-1,329,900</b>	<b>-1,696,500</b>
<b>Revenue Reserve brought forward</b>	<b>2,358,800</b>	<b>3,656,100</b>	<b>5,856,900</b>	<b>6,187,400</b>	<b>4,857,500</b>
<b>Revenue Reserve carried forward</b>	<b>3,535,100</b>	<b>5,856,900</b>	<b>6,187,400</b>	<b>4,857,500</b>	<b>3,161,000</b>

<b>Average Rent:-</b>				
<b>Increase 1st April 2015</b>			<b>-1.00%</b>	<b>-1.00%</b>
<b>48 wk</b>		<b>89.25</b>	<b>88.36</b>	<b>87.48</b>
<b>52 wk</b>		<b>82.38</b>	<b>81.56</b>	<b>80.75</b>
<b>Average stock</b>		<b>4,522</b>	<b>4,503</b>	<b>4,483</b>

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**MAJOR REPAIRS RESERVE**

	2015/16		2016/17	2017/18	2018/19
	Original £	Revised £	Estimate £	Projections £	
Balance brought forward	-	-	747,400	-	-
Depreciation of Dwellings	5,382,400	5,336,500	5,395,200	5,481,900	5,604,900
Depreciation of Other Assets	151,900	168,700	179,800	188,700	197,400
	<u>5,534,300</u>	<u>5,505,200</u>	<u>6,322,400</u>	<u>5,670,600</u>	<u>5,802,300</u>
Utilised to fund Capital Programme	-5,534,300	-4,757,800	-6,322,400	-5,670,600	-5,802,300
Balance carried forward	<u>-</u>	<u>747,400</u>	<u>-</u>	<u>-</u>	<u>-</u>

**HRA CAPITAL PROGRAMME (EXISTING PROPERTIES)**

	2015/16		2016/17	2017/18	2018/19
	Original £	Revised £	Estimate £	Projections £	
<b><u>EXPENDITURE</u></b>					
Property Improvements & Major Repairs (see detail at Appendix 4)	6,178,000	4,947,800	7,759,000	8,201,000	8,066,000
Adaptations for the Disabled	400,000	400,000	400,000	400,000	400,000
Environmental Works (Tenant Selection)	60,000	60,000	10,000	10,000	10,000
Repurchase of Shared Ownership Dwellings	50,000	50,000	50,000	50,000	50,000
	<u>6,688,000</u>	<u>5,457,800</u>	<u>8,219,000</u>	<u>8,661,000</u>	<u>8,526,000</u>
<b><u>FINANCING</u></b>					
Capital Receipts	400,000	450,000	450,000	300,000	100,000
HRA Revenue Contribution	753,700	-	1,246,600	2,490,400	2,423,700
Leaseholder Contributions	-	250,000	200,000	200,000	200,000
Major Repairs Reserve	5,534,300	4,757,800	6,322,400	5,670,600	5,802,300
	<u>6,688,000</u>	<u>5,457,800</u>	<u>8,219,000</u>	<u>8,661,000</u>	<u>8,526,000</u>

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<b>PROPERTY IMPROVEMENT &amp; MAJOR WORKS</b>				
<b>Description of works</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
EXTERNAL IMPROVEMENTS	1,113,000	705,000	864,000	854,000
INTERNAL IMPROVEMENTS	326,000	352,000	352,000	352,000
PATHS, FENCES & WALLS	57,600	270,000	270,000	270,000
WORKS TO BUILDING FABRIC	200,000	150,000	150,000	150,000
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	457,100	75,000	75,000	75,000
RENEWAL OF HEATING SYSTEMS	540,000	747,000	751,000	773,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	398,000	475,000	475,000	475,000
WINDOWS & DOORS	88,600	3,377,000	3,468,000	3,488,000
ASBESTOS	125,000	92,000	82,000	80,000
SHELTERED ACCOMMODATION	59,300	30,000	30,000	30,000
NEIGHBOURHOOD WORKS	433,500	200,000	200,000	-
DOOR ENTRY SCHEMES	88,200	55,000	55,000	55,000
STRUCTURAL WORKS	97,300	100,000	100,000	100,000
COMMUNAL LIGHTING	-	173,000	74,000	96,000
FIRE PROTECTION	98,000	70,000	70,000	70,000
LIFTS	17,300	65,000	160,000	-
SCOOTER STORES	43,800	-	-	-
INTERNAL COMMUNAL IMPROVEMENTS	67,000	-	-	-
GARAGE IMPROVEMENTS	130,900	25,000	25,000	25,000
COMMERCIAL PROPERTIES	30,700	-	-	-
FEE FOR MANAGING PROGRAMME	576,500	624,000	636,000	643,000
CONTINGENCY	-	174,000	364,000	530,000
<b>TOTAL BUDGET FOR EXISTING PROPERTIES</b>	<b>4,947,800</b>	<b>7,759,000</b>	<b>8,201,000</b>	<b>8,066,000</b>

<b>NEW BUILD</b>				
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>COUNCIL APPROVED</b> GARAGE SITES 2A	555,700	1,041,700	18,600	-
<b>SCHEMES SUBJECT TO TENDER &amp; COUNCIL APPROVAL</b> CURRENT ESTIMATE FOR PIPELINE SCHEMES	766,300	2,988,800	3,368,500	442,100
<b>TOTAL ESTIMATE FOR NEW BUILD</b>	<b>1,322,000</b>	<b>4,030,500</b>	<b>3,387,100</b>	<b>442,100</b>

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**HOUSING REVENUE ACCOUNT - RENTS & CHARGES**

	<b>2015/16</b>	<b>2016/17</b>
	<b>£</b>	<b>£</b>
Dwelling Rents (average)		
48 wk basis	<b>89.25</b>	<b>88.36</b>
52 wk basis	<b>82.38</b>	<b>81.56</b>
Garages (per month)	<b>28.05</b>	<b>28.33</b>
Communal Heating Schemes (52 wk basis)		
Gas		
1 person flat	<b>7.90</b>	<b>6.91</b>
2 person flat	<b>10.65</b>	<b>9.32</b>
Cumming Court 1 person flat	<b>4.88</b>	<b>5.12</b>
2 person flat	<b>6.71</b>	<b>7.05</b>
Guest Bedrooms (per night)	<b>10.00</b>	<b>10.00</b>